

Study Urges Limited Missile Deployment

U.S. Scholar Says 'Token' Pershing Force Would Keep Soviet at Bargaining Table

By Henry Tanner
International Herald Tribune

PARIS — The United States and its European allies should proceed with a limited deployment of new American nuclear weapons in Europe but should keep this deployment within such numerical and qualitative limits that further U.S.-Soviet negotiations in Geneva would not be only possible but regarded by the Soviet Union as attractive and even indispensable.

This is the central conclusion of a study by William V. Gardner, an American expert on Soviet affairs and strategic questions, to be published Monday by the Atlantic Institute on International Affairs, a privately funded, independent research and study center in Paris.

The original of his 135-page assessment is that it not only reflects Western perceptions of Soviet attitudes but also includes a detailed and documented analysis of what he calls Soviet "threat perceptions" — that is, what Soviet experts really expect to be the impact of the Pershing-2 and cruise medium-range missiles, as well as the future MX and Trident-2 systems, on the security of the Soviet Union and military-political objectives of the Soviet leadership.

Mr. Gardner's study was prepared over several years as part of a Ph.D. dissertation for Georgetown University in Washington.

He conducted talks with Soviet experts at the Soviet Academy of Sciences in Moscow and at other Soviet institutes as well as with Western officials.

His key theme is that despite their current threats to the contrary, the Soviet leaders are likely to accept a "token" deployment of perhaps half the 108 Pershing-2 missiles earmarked for West Germany and in that case would continue to negotiate in Geneva, perhaps after a temporary breakoff, "because an agreement would restrain the United States from increasing both capabilities and numbers of these systems to the point where they could realize their strategic potential" for pre-emptive nuclear strikes.

Mr. Gardner writes:

"NATO has every reason to limit deployments to a level where [the Pershing-2s] do not display a capability to dominate a nuclear war limited to Europe or a pre-emptive threat to Soviet strategic command and control but [to a level] large enough to reinforce the 'coupling' of American strategic forces to the defense of the European theater."

Mr. Gardner writes:

"NATO shares an interest with the Soviets in ensuring that Pershing-2 deployments neither create a 'hair trigger' nor preclude arms control negotiations by which one might reduce incentives for both sides to base their strategies on pre-emptive nuclear strikes."

Quantitative submiss on the

stationing of the Pershings would give either the United States or NATO the kind of weapons superiority that could lead Western leaders to believe that a nuclear war against the Soviet Union would be winnable.

But he adds that Moscow appears to attribute to the Pershing-2s in West Germany could produce a meaningful reduction of the SS-20s, the missile that gives the Soviet Union its current nuclear superiority in Europe.

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Soviet "threat perceptions" for the 1990s are different from those for the 1980s because of the modernization program now under way in the U.S. nuclear arsenal, according to Mr. Gardner. By the 1990s a single U.S. Trident-2 submarine would be able to attack three times as many vital Soviet command and communications centers as the entire force of 108 Pershing-2s earmarked for West Germany, and more swiftly, he writes.

He suggests that once the first missiles are in place, the Soviet Union and NATO have a common interest in keeping deployment to a low level.

He believes it is essential that American deployments "remain below the level to which the Soviet Union might be prepared to build down."

An important theme of the study is that the current negotiations and public dispute over the stationing of U.S. medium-range nuclear weapons in Europe is merely a chapter in the Sino-American arms race, and certainly not the final chapter.

Despite the Soviet perception that Pershing-2s stationed in Europe could destroy vital Soviet command and communications centers and reach as far as Moscow, the Soviet assessment of the military threat from these weapons is not the only, and perhaps not even the most important, factor in the present Soviet negotiating posture, according to Mr. Gardner.

Soviet analysts, he writes, do not seem to anticipate a "window-in-time" during the 1980s when the

Andropov Misses Ceremony; Serious Illness Is Rumored

(Continued from Page 1)
on Mr. Andropov's health. But the appearance of his portrait along Monday's parade route was viewed as an indication that Mr. Andropov's absences were attributable to health rather than political problems.

A series of statements in Mr. Andropov's name have been published in the past two months, most of them focusing on the deployment scheduled to begin next month of new U.S. medium-range nuclear missiles in Western Europe.

On Saturday morning, the Soviet press carried a decree signed by Mr. Andropov on important military promotions.

Mr. Andropov's absence overshadowed Saturday's ceremonies, which were attended by all Moscow-based Politburo members. Konstantin U. Chernenko, 71, Mr. Andropov's main rival in the past, led the other members of the ruling body to the stage.

The keynote speaker was Mr. Romanov, 60, former leader of the party's Leningrad chapter and a member of the Politburo.

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Mr. Romanov received applause when he said the Soviet Union would respond to the deployment of the new U.S. missiles by putting missiles in East Germany and Czechoslovakia and taking other unspecified retaliatory steps.

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U.S. deployment of [new missiles in Europe] and a compromise 'interim agreement' are achievable and would each contribute to the long-range goal of achieving 'military detente' in Europe," he concludes.

Intelligence Committee as well as aides.

"I think we are just plain confused about why the United States went in," said Representative Don L. Bonker, a Washington Democrat and member of the Foreign Affairs Committee, as he walked beside warehouses crammed with Soviet AK-47 rifles, 82mm mortars, anti-aircraft guns and Czechoslovak-made hand grenades.

Nonetheless, a congressional aide, who described himself as "one of the more left-wing people on this trip," said he was impressed at the stacked warehouses of weapons in southern Grenada. "There seems to be a potential threat here, but not an actual threat," he said.

Such a view was disputed by several senior Democrats and Republicans on the Armed Services Committee, including Samuel S. Stratton, a New York Democrat, and Elwood Hill, a Republican from Indiana.

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Reagan Visit Likely to Provide A Political Boost for Nakasone

By Clyde Haberman
New York Times Service

TOKYO — It may not be what he had in mind, but when President Ronald Reagan arrives for a state visit this week he will probably find himself caught up in a political campaign.

No election has been called, but sign point to one sometime in the last two weeks of December, and that means the politicking is underway.

For Prime Minister Yasuhiro Nakasone, Mr. Reagan's trip could not have come at a more opportune time. Domestic politics has been, by normally tame Japanese standards, nothing short of odd lately, and Mr. Nakasone appears to have suffered a little damage. With West Germany's chancellor, Helmut Kohl, here last week and with the U.S. president coming Wednesday, Mr. Nakasone has been hoping his relatively aggressive style of foreign policy can offset domestic losses.

That assumes all goes well in his talks with Mr. Reagan, which most officials consider a reasonable bet. The early word is that the two leaders will try to emphasize their points of agreement, not trade and defense frictions.

Mr. Reagan will be here for three days, followed by a two-day trip to South Korea, where he will seek to bolster the government of President Chun Doo Hwan. That government is still reshaping itself after last month's bombing in Burma that killed four cabinet ministers and two of Mr. Chun's closest aides.

In Japan, political analysts say voters do not pay much attention to foreign affairs. But Mr. Nakasone has based a good part of his appeal on his international style, especially his relations with Mr. Reagan. These have been friendly, to the point that they call each other "Ron" and "Yasu."

At the least, this trip is not likely to hurt Mr. Nakasone, any more than he seems to have been harmed

by his government's agreement last week to extend to a fourth year what are politely called "voluntary" restraints on automobile exports to the United States. In exchange, the Americans accepted an

constituents in northern Japan want him right where he is, a point no one is prepared to argue.

Mr. Nakasone is a man of considerable magnetism and political astuteness, a skillful dispenser of money and patronage. In that way, he controls the largest of the five factions of political conservatives that constitute the long-ruling Liberal Democratic Party.

Guilty verdict notwithstanding, no politician is more powerful than Mr. Nakasone, and even an incoming prime minister treads lightly around him. But sensing an issue of political ethics, the Socialist-led opposition has refused to participate in parliamentary sessions unless a resolution calling for Mr. Nakasone's ouster is debated first. The Liberal Democrats have refused.

For Mr. Nakasone, the deadlock has touched off public grumbling about his leadership skills. On Oct. 28, he met privately with Mr. Tanaka, but said later only that he had offered "advice," a remark so cryptic it baffled even politicians unused to encoded phraseology.

They wanted to know more, to satisfy themselves that Mr. Nakasone had discharged his responsibilities.

So last week Mr. Nakasone explained to other party leaders that while he had not explicitly urged resignation, Mr. Tanaka should have got the idea. Midway through his explanation, Mr. Nakasone pulled out a handkerchief to dab at tears, according to people who were present. No one could recall a similar display by a prime minister.

By week's end, the Liberal Democrats had decided that, tears and all, they had shown their sincerity in trying to end the impasse. Security was enough to persuade the ruling party to call the Diet back into session, perhaps early next week, to pass a \$5-billion tax cut.

The hope was that the opposition would be unable to sit by idly while a voter-pleasing measure of this sort was introduced. But the Socialists and the others appear to be holding firmly to the boycott.

The statement and new South Korean denunciations of North Korea increased tensions on the Korean peninsula. They were already extremely high.



The Associated Press
Rescuers helped a wounded man at the Martyr's Mausoleum in Rangoon, Burma, Oct. 9 after a bomb explosion that killed four South Korean ministers. This photograph was taken from previously unknown film screened by Japan's NHK television network Saturday.

North Korea Says Peace Is Endangered By Burma's Move to Cut Off Relations

By Clyde Haberman
New York Times Service

TOKYO — North Korea has dismissed as "sheer fabrication" an official Burmese finding that it was responsible for the Oct. 9 bombing in Rangoon that killed 21 persons, including 17 high-ranking South Korean officials.

The Pyongyang government said Saturday that it was "unjustifiable" for Burma to sever diplomatic ties and to order North Korean Embassies to leave by Sunday.

Breaking off relations was "a dangerous act seriously endangering peace in Asia and the world," the North Korean Foreign Ministry said in a statement carried by the official Central News Agency and monitored in Tokyo.

The statement and new South Korean denunciations of North Korea increased tensions on the Korean peninsula. They were already extremely high.

South Korean officials have said that they fear a North Korean plot against President Ronald Reagan when he visits Seoul next weekend after a three-day trip to Japan. The South Korean armed forces were put on full alert Saturday, although that did not appear to be accompanied by any significant change in military actions.

On Friday, the Burmese government announced that its investigators had determined that two men captured and another one killed a few days after the bombing were North Korean commandos. The finding, according to the announcement, was based on material discovered at the explosion site and on the three men, and on confessions made by the two survivors.

Tokyo has no diplomatic relations with North Korea and is likely to curtail nongovernmental exchanges in culture and trade.

On Friday, Foreign Minister Shintaro Abe said Japan contemplated "severe" moves against North Korea.

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U.S. Calls Off Search for Wreckage, Flight Recording Boxes of Korean Jet

By B. Drummond Ayres Jr.
New York Times Service

WASHINGTON — The search has been called off for wreckage of the Korean Air Lines 747 shot down over the Sea of Japan on Sept. 1 by a Soviet fighter plane with the loss of 269 lives, the Defense Department has announced.

The search, conducted by U.S. and Japanese ships trailing bottom-scanning devices, was aimed

mainly at recovering the airliner's flight recording boxes. But the only thing turned up was a cooking pot lost long ago by a ship.

"We've looked everywhere we think it might be and we haven't found a thing," a Pentagon spokesman said Saturday. "Maybe it's lying within Russian waters. But that's another thing. They won't let us in."

The searchers were hampered from the start by bad weather and

the mountainous nature of the sea bottom. Soviet ships crisscrossed the search area, conducting our own hunt but also intent, it appeared, on disrupting the U.S.-Japanese effort.

The officials said repeated protests to the Soviet authorities about such incidents had been ignored. The Soviet Union also refused repeated requests from the U.S. and Japanese governments for permission to search a section of sea bot-

tom lying within Soviet territory. Some Soviet ships were reported by U.S. Navy officials to be still conducting search operations.

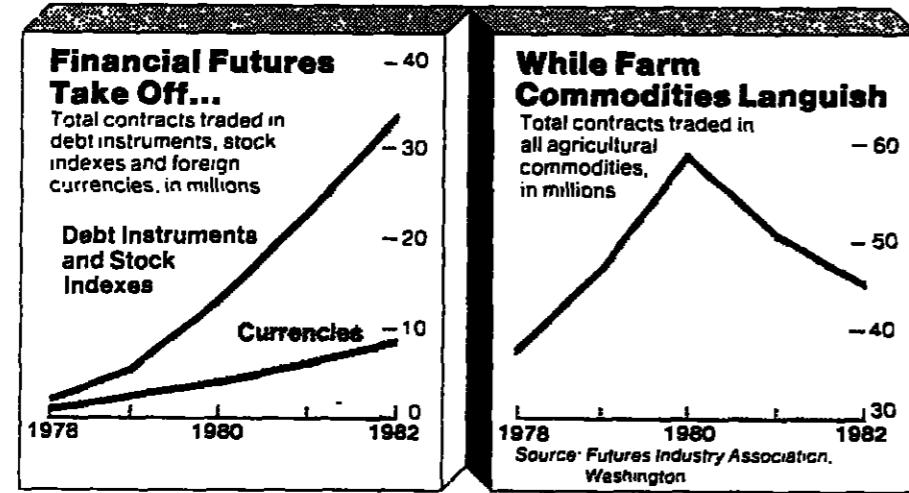
The American and Japanese searchers had hoped that by salvaging the recording boxes, which keep a running record of flight movements and tape cockpit voice transmissions, definitive answers could be obtained as to why the South Korean plane strayed.

The Soviet Union has main-

tained that the 747, KAL Flight 007, was on a spying mission, aided and abetted by U.S. intelligence agencies. The South Korean and U.S. governments have vehemently denied that assertion, maintaining the plane was on a routine flight from Alaska to South Korea.

Immediately after the airliner went down, search ships found a few pieces of wreckage floating on the surface. Some wreckage and several bodies were also recovered

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Published With The New York Times and The Washington Post

Winter After the Bomb

Even a limited exchange of nuclear weapons will so blot out the sun with smoke and soot, a group of scientists asserted last week, that life for the survivors will be almost impossible in the ensuing dark and cold. . . . Paramount Pictures has just released "The Testament," a movie about life after The Bomb. . . . In two weeks, ABC will broadcast "The Day After," a movie about a typical American city following a nuclear strike.

Why this deluge of restating the obvious? Doesn't everyone know by now that nuclear disaster is hazardous to human health? Surely every sensible person everywhere believes preventing it is the world's most important cause.

The hard question is how, and the settled, if crude, answer is nuclear deterrence. Deterrence works because it is based on horror. What different policy is desired by those who now agonize about the extent of the horror? There is no visible alternative to deterrence, no matter how ghastly the ways nuclear war would kill.

Yet there is one justification for the rush of apocalypses: some people's persistent conviction that some nuclear war would not kill everyone, that some nuclear war is survivable, even winnable. Cavalier statements from the Reagan administration about fighting nuclear war are in part to blame. For instance, officials once took a noisy interest in civil defense with shovels. But such ideas hide an important issue, one raised by the scientists who are predicting nuclear winter: Perhaps relatively few nuclear explosions are needed to trigger terminal effects.

Nuclear destruction may be measured in megatons of explosive power. The Hiroshima bomb contained far less than one megaton. The United States and the Soviet Union now possess weapons totaling about 12,000 megatons. In 1975, the National Academy of Sciences examined the probable effects of a nuclear exchange involving 10,000 megatons.

The academy concluded that such an exchange would have no more effect on climate than the eruptions of large volcanoes, which inject similar amounts of dust into the high atmosphere. "At most, a 0.5-degree Celsius deviation from the average, lasting for a few years, might be expected." The consensus now emerging is that ground temperatures would drop well below freezing. Why the change?

Because, until last year, no one thought about soot. It is no secret that Hiroshima and Nagasaki burned, yet scientists calculating climatic effects thought only of the dust from pulverized rocks and buildings, not of the soot and ash caused by fire. Being more absorbent, these particles block far more sunlight.

The scientists who spoke last week were describing a study that has not yet been published or properly checked. Nonetheless, their conjectures seem in line with parallel studies, including a second effort by the National Academy of Sciences.

The conjectures suggest that an exchange involving only 100 megatons could cause catastrophic changes in climate if it incinerated 100 cities. The sun would be almost totally blotted out through at least the Northern Hemisphere, land and water would freeze, only narrow strips along the coastlines would be habitable and those would be ravaged by violent storms.

From such studies, some threshold megatonnage may be definable above which climatic disaster is likely. Such a figure should temper the casual talk of nuclear war-fighting capability. And while scientists argue about soot and sunlight, the public may wonder what other effects of nuclear war have not yet been taken into account. Defining degrees of destruction is not an empty exercise so long as there are those in the United States or the Soviet Union who believe there is any point in ever risking nuclear war.

—THE NEW YORK TIMES

The Vote in South Africa

It is easy to dismiss South Africa's constitutional referendum as a fraud. It is, after all, fraudulent. Only the whites, who number 4.6 million, were invited to vote on granting a limited and ambiguous role in national affairs to the colored (2.8 million) and Indians (850,000). Not only were blacks (21 million) not consulted; they stand to gain nothing from the new dispensation. There were solid grounds for concluding that the referendum was simply an exercise designed to buy off the coloreds, or people of mixed race, and the Indians with trivial baubles, while blocking the way to any promise of rights for the blacks.

Is it not interesting, then, that so many white South Africans evidently have had difficulty coming to that seemingly incontrovertible conclusion? The vote for the proposal (among to repeat, whites only) was an overwhelming 2 to 1. But if some part of the impulse of approval was to entrench the ruling minority's apartheid doctrine, another unmistakable part was to experiment with political change. The ambivalence that is a marked quality among many South African whites makes it impossible to assign fixed proportions to these two elements.

The vote against the new constitution, moreover, reflected two very different tendencies. One was a rejection of the proposal by a good number — not all — of the liberals. The other

was a rejection by conservatives who argued that it was the first dangerous slide down the slippery slope leading to black majority rule. The Reagan administration, which has not had much show for its policy of "constructive engagement" with South Africa, reacted quickly and positively. The State Department pronounced the vote a mandate for Pretoria to move "decisively" along the way to "constructive, evolutionary change toward a system based on consent of all of South Africa's citizens." These careful nudging words themselves exemplified the approach of constructive engagement. Those already skeptical of it could not but find the words pitiably barren of the passion and anguish they feel as they contemplate the system of institutionalized racism that is apartheid.

Will the South African government take the vote as a mandate for further change — for what might better be called real change, granting genuine political rights to all South Africans? The only thing more foolish than giving Pretoria credit for something it has not yet done would be to rule out all possibility that the new constitution can yet make some contribution to the cause. There are too few openings for peaceful change under apartheid for even the meanest of them to be neglected.

—THE WASHINGTON POST

Other Opinion

Toward Democracy on Grenada

Reports from Grenada indicate no serious security problems. As these things go, the American invasion (or rescue operation, if you prefer Washington's appellation) has run very smoothly indeed so far.

To manage the creation of a democratic society in Grenada may be a much more difficult task. It will become harder still if the U.S. administration were to foist on the Grenadians a government of Washington's toadies. The last thing Grenada needs is one of those right-wing authoritarians Mrs. Jeanne Kirkpatrick is so fond of.

This is where Sir Paul Scoon can play a decisive part. He has denied any intention of planting an American nominee in power. Rather, he seems inclined to form a government of technocrats who will run the country while an electoral roll is prepared and political parties formed. This will take at least six months, more likely a year. Then an election will be held, and Sir Paul has made it clear that any remnants of the New Jewel Movement, as it existed before the assassination of Maurice Bishop, will be permitted to stand. In this he is absolutely right and deserves support.

—The Observer (London).

Easing U.S.-European Tension

The United States has agreed to compensate the European Community to cover at least some of the damage done by tariffs and quotas imposed by Washington last summer on specialty-steel imports. This could be a precedent for settling in a positive way the other area of nasty contention between the United States and the Common Market, agriculture, which is of enormous consequence to both parties.

—The Los Angeles Times

Our Hungry Children

The child in Pakistan might not be facing the starvation death which is the lot of a number of children in some other Third World countries. But malnutrition is a very serious problem here. According to one estimate, 600,000 children die of malnutrition every year in Pakistan. Although all deaths might not be directly attributed to poor nourishment, many children who are not properly fed cannot stand the rigors of childhood diseases, because of lowered resistance. It is important that the question of child health and nutrition are tackled on a community basis with the active support of the government.

—Down (Karachi, Pakistan).

FROM OUR NOV. 7 PAGES, 75 AND 50 YEARS AGO

1908: The Jobless Pour Into London

London — As winter comes on, the unemployed increase about 10 percent a week. They come to London from all the big cities: Manchester, Birmingham, Liverpool, Leeds. London is the dumping-ground for people who have no jobs. London is going through the same spasm that New York has been through for many years, when all the hobos and tramps flocked there. London fears a revolution, is looking for trouble, keeps the over-worked policeman on the job all the time but there will be no riots, there will be no uprisings of things. Yesterday a crowd of "hunger marchers" was seen walking in front of Dorchester House, which is the house of the American Ambassador here.

1933: Russia Ready for an Attack

MOSCOW — The Soviet Union is fully prepared for the "possibility of an unexpected attack" by Japan, declared V.M. Molotov, president of the council of commissars, in the Moscow Opera House tonight, when the celebrations for the 16th anniversary of the Bolshevik revolution were officially opened. Stalin and other Soviet leaders joined in thunderous applause as Mr. Molotov added, "If such an attack occurs, our job will be a clear and simple one — complete destruction of the enemy, and complete victory for the Red Army." He greeted warmly President Franklin Roosevelt's initiative in the Soviet-American negotiations, saying that the talks "affect the entire world."

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Pope, in Letter, Praises Luther; Will Preach in Lutheran Church

By Henry Kamm
New York Times Service

ROME — Pope John Paul II has praised Martin Luther, the father of the Reformation, saying the world is still "experiencing his great impact on history."

His comments were contained in a letter to the president of the Pontifical Secretariat for the Union of Christians, Cardinal Johannes Willebrands, to mark the 500th anniversary of Luther's birth. The text of the letter was made public by the Vatican on Saturday, five days before the anniversary.

In a related development, Christopher Meyer, dean of the Evangelical leaders understand that the criticized for ending the medium-range missiles, to continue talking if the mounting, even tacit, new U.S. deployment, or that the West had to take British and French bombers into account.

Proposed on Oct. 24, Soviet intermediate-range Europe from 450 to modern SS-20s, and also current level of Soviet deployment of such systems in Asia — there were no Americans in December.

U.S. deployment, or that the West had to take British and French bombers into account.

cal Lutheran Church in Rome, announced that John Paul would preach in the church on Dec. 11. The service and the pope's sermon will be in German.

The letter from the pope to Cardinal Willebrands was dated Oct. 31, 1983, the anniversary of the day in 1517 when Luther nailed his thesis on the door of the Cathedral of Wittenberg, giving birth to the Reformation. The pope wrote the letter in German, Luther's language, although Cardinal Willebrands is a Dutchman.

The pope referred to Luther, who was excommunicated from the Roman Catholic Church as the theologian who "contributed to a substantial way to the radical change in the ecclesiastical and social reality of the West." He continued: "Our world is still today experiencing his great impact on history."

Roman Catholic and Protestant studies have yielded a more balanced picture of Luther's personality and the realities of the 16th century, the pope continued, and shown that "the rupture in church unity cannot be reduced either to the mere lack of comprehension on the part of the authorities of the Catholic Church nor solely to the limited comprehension of true catholicism on the part of Luther, even if both these matters played their part."

The pope called for continued historical research "without prejudices" to provide "a just image" of Luther and the Reformation. "Guilt, wherever it exists, must be recognized, on whichever side it is found," the pope wrote.

John Paul called on Cardinal Willebrands to continue the ecumenical dialogue in quest of restoration of Christian unity and offered a special prayer and blessing for this work.

Dean Meyer said that the pope's visit had been arranged more than a year ago, when John Paul paid a Sunday afternoon call to the Roman Catholic parish in which the Lutheran church is situated. The Catholic authorities invited Dean Meyer and the board members of his congregation to attend the service for the pope.

To Dean Meyer's surprise, one of the board members approached John Paul and asked him whether he would participate in a Lutheran service during the anniversary year. Dean Meyer recalled Saturday that he was even more surprised when the pope answered, "Yes."

In announcing the event Saturday night, a press agency of the Italian Evangelical churches said that before the pope's participation in the Lutheran service, the Lutheran community of Rome would

advocate the expulsion of U.S. military bases, curbs on multinational companies and other causes of the political left.

Officials described the meeting Saturday as the biggest political turnout in the Philippines since the two memorial services for the op-

position leader, Benigno S. Aquino Jr., whose assassination Aug. 21 triggered a succession of public demonstrations against President Marcos.

The principal target of Mr. Aquino and other speakers at the rally was what they called the "U.S.-Marcos dictatorship." The organizers of the new group, which could develop into a significant force if the crowd at its inaugural meeting was any indication of its strength, described it as a nonviolent alternative to the outlawed Communist Party of the Philippines.

Sections of the crowd interrupted speeches with cheers for the jailed former leader of the Philippine Communist Party, Jose Maria Sison. Among those attending were many student leaders, unionists, representatives of tribal communities and academics.

As a coalition of leftist opponents of Mr. Marcos, the gathering represented a potentially important new division in the already fragmented opposition forces. The Nationalist Alliance, headed by Lopez, and the United Nationalist Democratic Organization, a combination of 12 parties headed by the government of President Ferdinand E. Marcos. It brings together many small nationalist groups from throughout the country that advocate the expulsion of U.S. military bases, curbs on multinational companies and other causes of the political left.

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New Alliance of Leftists Draws Support in Manila

By Robert Trumbull
New York Times Service

MANILA — A new leftist opposition party with strong anti-American overtones has filled a 35,000-seat boxing arena in its first formal gathering.

The new organization, called the Nationalist Alliance for Justice, Freedom and Democracy, is headed by Lopez, 34, the elder statesman of the opposition to the government of President Ferdinand E. Marcos. It brings together many small nationalist groups from throughout the country that advocate the expulsion of U.S. military bases, curbs on multinational companies and other causes of the political left.

Officials described the meeting Saturday as the biggest political turnout in the Philippines since the two memorial services for the op-

Woman Slain at U.S. Tavern

United Press International

NASHVILLE, Tennessee — A woman died and five persons were injured Saturday when gunmen fired repeatedly through the windows of a suburban tavern, police said Sunday. They had no comment on a possible motive.

LETTERS TO THE EDITOR

The KGB Connection

Regarding "Terrorism Grows: More Lethal and Widespread, but Rarely Succeeds" (IHT, Nov. 2) by David Lamb:

His 2,000-word piece on international terrorism, Mr. Lamb manages to avoid any mention of Claire Sterling's book, "The Terror Network," and the latest scholarly study on the subject, "Terrorism: The Soviet Connection," by Ray S. Cline and Yomah Alexander of Georgetown University's Center for Strategic and International Studies. Since Mr. Lamb went out of his way to play down the Soviet connection, I cannot help but wonder whether this isn't yet another example of the suppression of inconvenient facts. Mr. Cline and Mr. Alexander, both recognized authorities on terrorism, have produced not one smoking gun on the Soviet KGB connection, but dozens of them.

Le Monde, a respected liberal voice in France, published a series of articles on terrorism a few months ago in which it mentioned a terrorist training camp near Damascus that specialized in truck- and car-bomb explosions. The instructors were Bulgarian operatives and the camp itself is run by the Syrian secret service, which is supervised by Rifaat al-Assad, the brother of the Syrian president. The Bulgarian secret service, the DS, is a branch of the Soviet KGB.

ARNAUD de BORCHGRAVE, Center for Strategic and International Studies, Georgetown University, Washington, D.C.

White House Wars?

It would appear that President Reagan is flagrantly interfering with the military forces of the United States on so many different war fronts as to not only make his reelection seem mandatory, but further, to make any reasonable and constructive foreign policy challenges from more responsible candidates — those with greater re-

spect for peace — appear to be less than patriotic.

Even as we await the president's official announcement of candidacy, we are witnessing the bloodiest election campaign in memory. One wonders how many lives will be lost before November 1984, and how soon thereafter these senseless "White House Wars" will end.

JOEL TED MISKIN, Innsbruck, Austria.

Congratulations! Vietnam was no success — Grenada was.

FINN LIE, Moelv, Norway.

American leaders have long warned the world about the threat posed by the Cuban presence on Grenada. Now they say they were surprised by the number of Cubans on the island and the intensity of their resistance. Evidently, the Americans did not believe their own propaganda. Why then should any of them?

CARROLL DORGAN, St-Germain-en-Laye, France.

When you live in a neighborhood populated by thugs, murderers and deviates, you sometimes have to use force, albeit judiciously, to protect yourself and your loved ones. The alternative is to stick your nose in the Bible, Carter-like, and pray. Mr. Alexander, both recognized authorities on terrorism, have produced not one smoking gun on the Soviet KGB connection, but dozens of them.

CHARLES DAIGLE, Paris.

If Ronald Reagan is so concerned about the safety of Americans why doesn't he use the Marines to throw out the government of El Salvador? It is not democratic, it has murdered Americans with impunity, and I am sure that Nicaragua would sponsor his move.

TIMOTHY DEVINNEY, Athens.

The intervention on Grenada by U.S. Marine and Caribbean forces is not an aggression but a defense. The buildup of the Nicaraguan air force, and the Cubans' construction of the Point Salinas airbase on

Grenada pose a grave threat to the Western world.

Grenada is not just an unimportant island. It is an essential factor of safety in the East-West struggle. I believe it is good that the United States has strong leadership in the Reagan administration, expressing safety by strength.

GERHARD BERCHTOLD, Innsbruck, Austria.

Invasion or Rescue?

Regarding "Follett: Writing Invasion Wrong" (IHT, Oct. 14) by Jeffrey Robinson:

Before too much more acclaim accrues to Ken Follett's new book "On Wings of Eagles," here are a few things to consider from someone who was in H. Ross Perot's office when he returned from his exploit in Iran.

First, this was not a rescue mission. It was a mini-invasion of a foreign country by employees of a private American citizen. It is against U.S. law for a private citizen to send armed forces into another sovereign nation. Mr. Perot has not been prosecuted for his action. Now Mr. Follett is making him into some kind of hero.

Second, the mini-invasion jeopardized the lives of the American diplomats who were taken hostage only a few days before Mr. Perot decided to mount a covert operation intended to rescue two employees of his Electronic Data Systems in Iran.

Mr. Perot's folly was planned and executed in secret. Almost any one in the U.S. government would have tried to stop this adventure had they known about it. President Carter and his staff clearly saw the use of force as unacceptable risky at that point.

JAY HENDERSON, Hong Kong.

Why the Conflict?

Regarding "When Communists Are in Control" (IHT, Oct. 18):

Anton Bettel does not investigate why communist states are so unfriendly to each other. Socialist internationalism has failed at the diplomatic level because of internal and external pressures. First, in the internal sphere, the communist regime, acting through the centralized state apparatus to achieve its objectives, is much more dependent upon its autocratic power base than its capitalist counterpart, which cultivates overseas trade and investment.

As a result, communist ideology becomes increasingly reinforced with xenophobic nationalism. Furthermore, in the external sphere, the forced proximity of states will induce countries (particularly xenophobic Soviet-bloc ones) to adopt traditional balance-of-power considerations. The long border between Russia and China is a formidable geographic obstacle to any lasting Chinese-Soviet reconciliation, regardless of leadership changes in Moscow or Beijing.

It could be said that communism is nationalism with a reddish hue. Not only does this invalidate the notion of a viable, alternative socialist world order, but also the "domino theory" used to oppose it; the "dominoes" tend to contain each other.

ANTHONY PAUL MARTIN, London.

Karsh's Diplomacy

Regarding "The High and the Mighty, Bounded by Karsh of Ottawa" (IHT, Sept. 30):

Perhaps a less known facet of Karsh of Ottawa's genius as a photographer is his diplomatic talent. Marlene Dietrich encountered it on a return visit to Karsh 25 years after her first portrait sitting for the master. Scrutinizing the new pictures, Dietrich did not hide her disapproval of them, and told Karsh he had "lost his touch." Mindful not to upset the star, Karsh responded tactfully, "You forget, Miss Dietrich, that I am 25 years older than the last time you came to me."

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White House Wars?

THE GULF STATES

DEVELOPMENT AND COOPERATION — A SPECIAL REPORT

MONDAY, NOVEMBER 7, 1983

Page 9

Common Market: Future Force?

THE GULF states are proceeding with plans to integrate their economies and form a Gulf Arab common market along the lines of the European Community, putting their enormous financial capabilities and clout behind what analysts believe is a promising and timely effort.

Not only do most analysts agree that the members of the GCC can create a strong economic group, but they think that these states should coordinate their economic development plans and that the time has come for them to invest oil-income in integrated economic projects.

With lower oil prices and no tangible improvement expected soon, the Gulf states need not only to act in concert to maintain their edge, but also to coordinate among themselves to begin as a unit in the market, according to a Western observer who follows economic affairs. The GCC members have a growing oil refining capacity and a developed petrochemicals industry, which would require hard bargaining to market in a market saturated with lower-cost crude oil, he said.

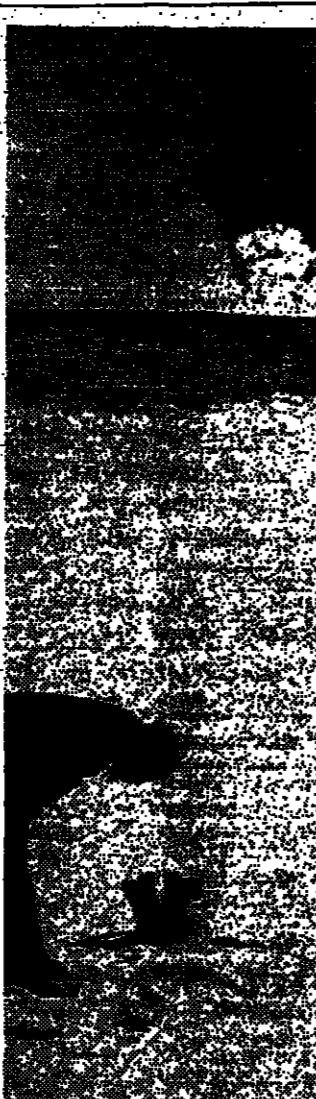
These countries' new tendency to direct investment toward other fields in industry and to encourage agricultural projects is another reason why a coordinating body could be useful, he said. He defended the investment in these areas, although he conceded that the Gulf states share problems that impede growth. Among those problems are the lack of trained low-cost labor, the high cost of acquiring modern technology, and the lack of fertile land and water.

"Since the aim of the GCC is to promote self-sufficiency under the banner of strategic security, then the economic profitability aspect of these projects is of secondary importance," he said. The GCC's official policy is to subordinate economic needs to security needs — the overriding concern of countries that feel threatened by Iran and by domestic unrest — but to decline foreign help to maintain security.

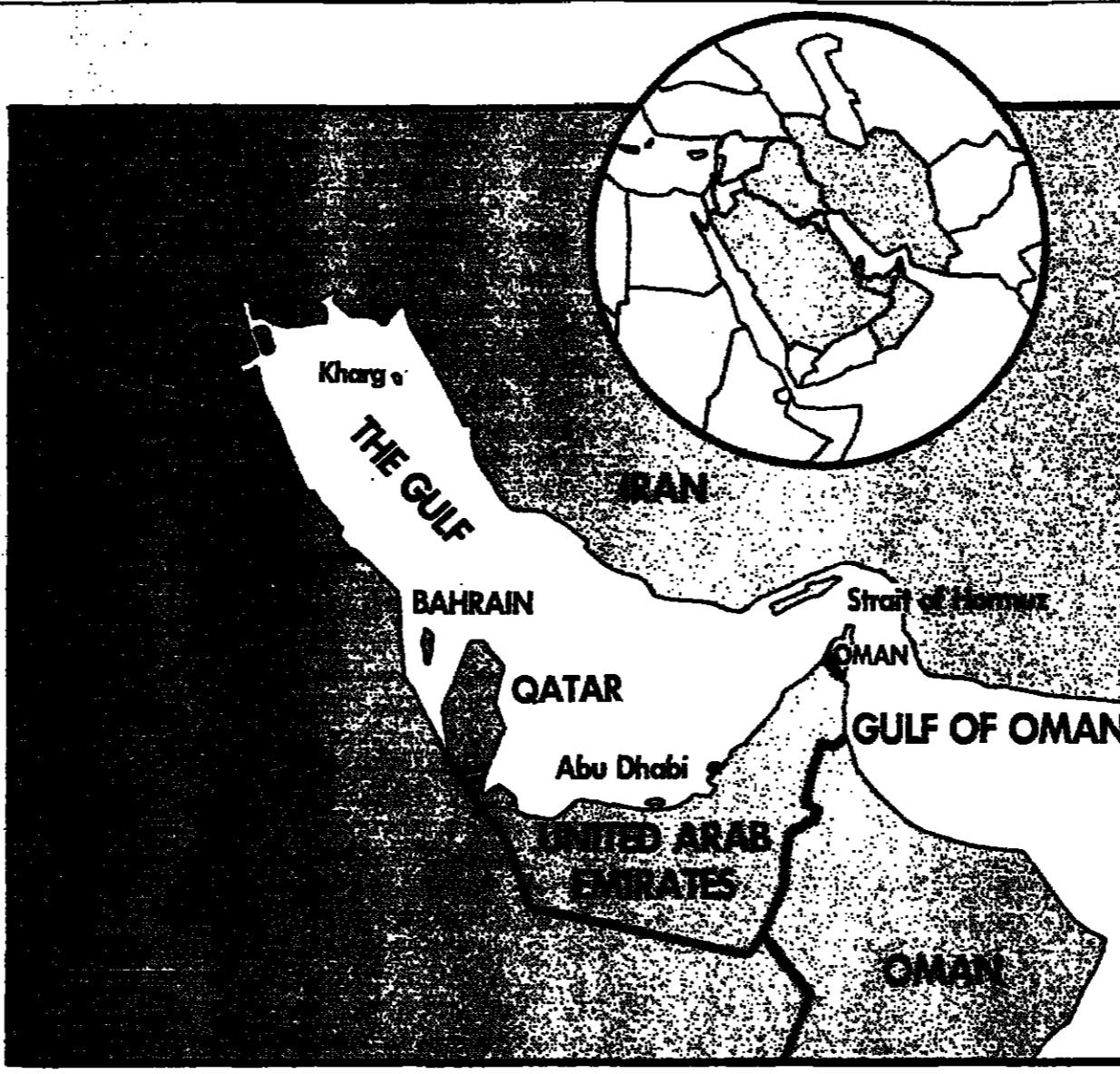
The economic argument would out at the first Gulf summit meeting two years ago called for the coordination of financial and economic policies and the unification of laws regulating trade and industry. The agreement advocated total freedom of movement between Gulf states for individuals, funds and goods, the abolition of tariffs on locally manufactured products, and a collective customs tax system.

The charter stated that "completeness" should guide industrial development and infrastructure facilities and that priority should be given to joint projects, financed by a fund created for this purpose, the Gulf Investment Corp., with a capital of \$2.1 billion. The GCC's

(Continued on Page 12)



Prayer in the desert: Miles away, excess gas burns off.



Inset: Carl-Maurer/HT

The GCC: Joint Response to a Perceived Threat

It has developed amazingly rapidly from looking like an ad hoc response to a certain political situation into an effective organization that can plan and coordinate many aspects of the region's public life.'

By Franco Heard-Bey

FOR THE LAST two decades ethnic and religious minorities, and ideological and political groups ensured that the headlines of the world's press were more often dominated by independence movements, separation, partitioning or secession than by news of federative processes or the creation of lasting alliances.

When on May 26, 1981, the heads of the six littoral states of the Gulf — Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman — signed an agreement to formally coordinate their economic, political, cultural and security efforts in the Gulf Cooperation Council, the rest of the world took little notice. The event seemed to follow a long line of Arab pledges for unity and cooperation. These pledges failed to produce much practical cooperation and often gave way to mutual acrimonies.

The foundation of the Gulf Cooperation Council can be seen as the response by a group of countries to a sudden common threat, with events leading from bad to worse after the fall of the Pahlavi monarchy in Iran: Shiite minorities, which so far had only differed in some religious practices and in their social status from the majority of Sunnis inhabitants of the small Arab states of the Gulf, had suddenly become a revolutionary potential.

FRANCO HEARD-BEY, a German historian who lives in Abu Dhabi, has written about the unification of the United Arab Emirates, among other things.

The beginning of the war between Iran and Iraq, in September 1980, led the other Gulf states to commit themselves, at least financially, in Iran's favor to buy themselves freedom from deeper involvement. The arrival of Soviet troops in Afghanistan in December 1979 had made it patently obvious that one day Moscow might realize a traditional Russian dream dating from Czarist times — reaching the waters of the Gulf.

At the time, the common apprehension in the face of these dangerous developments was a strong catalyst for going ahead with organizing the GCC. Since then the Gulf states have learned to live — albeit uneasily — with the increasing tension around them. Yet, the GCC has not run out of its initial steam. It has developed amazingly rapidly from looking like an ad hoc response to a certain political situation into an effective organization that can plan and coordinate many aspects of the region's public life.

There is no ministry or department in any of the six member states that has not been involved in meetings aimed at standardizing their specialized function throughout the GCC. The European Community's influence as a model is obvious.

These six member states benefit from having not only

common interests and features, such as being oil exporters, but also strong historical bonds.

The most important of these bonds is their ethnic identity, manifest in the belief that the local inhabitants of all the six countries are descendants of two ancestral tribes that lived

in Yemen before they spread migratory waves over the rest of the Arabian Peninsula.

The Gulf states' urban, rural and nomadic nations are all still aware of their being part of this regional network of tribal structures, at the apex of which stand 12 or more ruling families.

Even though these various tribes, communities, sheikdoms and city-states have frequently been at one another's throats throughout history, they have strong feelings of their relationship, when looking at Iran or at the rest of the Moslem world. The bedouin tradition still provides a common affinity, expressed in their love for bedouin lyrics and legends, and in their hospitality. Their way of integrating Islam into family, society and state gives the Sunni ruling families and their governments the confidence to claim that Ayatollah Khomeini's call for a return to the roots of Islam does not apply to their societies because they never left the Islamic basis.

A common bond also is provided by the way in which the Gulf region as a whole experienced successive attempts by the Portuguese, the Dutch, the Turks and the British to gain or to maintain a foothold in the Gulf. The British India had the most lasting influence, even though none of the Gulf states was ever a British colony or even a protectorate. Since the early 19th century, treaties safeguarded British economic and strategic interests in the Gulf in return for a British-inspired maritime peace in the

(Continued on Following Page)

Agriculture: Overall Regional Progress Despite Differences in Approach

By Sarah Scaright

MAKING THE desert green has been a popular phrase since oil wealth began to increase in the area, and projects have proliferated up and down the Gulf. As oil revenues decline, agriculture presents a glowing image of the diversification that everyone has discussed halfheartedly for so long.

There are several aims behind the discussions, given different emphasis in different places. Apart from self-sufficiency and diversification, there is the desire to establish a living for the dwindling rural population, especially in Saudi Arabia and Oman. The tendency to make farming too technologically intensive, however, makes this an area that could benefit particularly from GCC-organized cooperation.

A number of regional organizations have been coordinating activities and research for several years. The Food and Agriculture Organization and the UN Development Program operate in various countries promoting the improvement and production of food crops. UNDP has a research station at Diddagah in Ras al-Khaimah in the United Arab Emirates, and it financed a fisheries study in the Gulf in the 1970s. It also has a training center in Kuwait. The Arab Livestock Co. is a nonprofit organization with headquarters in Damascus that helps finance poultry farms and dairy herds. There is a date research bureau in Iraq. And the various Arab funds, both regional and national, have helped set up agricultural projects both on a purely commercial and on a research-oriented basis.

The most promising agricultural areas lie in the United Arab Emirates, Oman and Saudi Arabia. Ku-

wait as a seafaring nation has concentrated more on developing its fishing; Bahrain and Qatar, while keen on farms, have not had them as a priority, although Bahrain plans to spend \$50 million on agriculture between 1982 and 1985.

Oil is the longest tradition of agriculture and is proud of its ancient and sophisticated *fallow* irrigation system. More than 50 percent of the population depends on agriculture and fishing for its livelihood. The government's efforts to develop agriculture are concentrated on the regulated use of water.

There is plenty of water around but the rainfall varies considerably from year to year, and often the *fallow* system has fallen into disrepair with the movement of people to the cities.

The Emirates' main growing areas are Ras al-Khaimah in the north, with relatively plentiful aquifers, and the ancient oasis of Al-Ain. It is extravagantly watered, an extravagance aggravated by the government's lavish distribution of pumps. About 73 percent of the Emirates' annual consumption of water goes to agriculture, and Al-Ain's development has drawn heavily from year to year, and often the *fallow* system has fallen into disrepair with the movement of people to the cities.

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Arabia, at al-Kharj near Riyadh, and it plans to have a herd of 25,000 by 1985.

In all this activity, the GCC has so far played no role beyond acting as a forum. Previous meetings of agriculture ministers have called for regional studies on water, quarantine and veterinary sciences. Kuwait and Saudi Arabia already have training centers, and the UNDP Dighdagh project includes a small school for local farmers. More on this small scale is needed to help them cope with the technology needed to farm such inhospitable terrain. A conference in Abu Dhabi in 1981 agreed to a network of laboratories, fishery centers and animal centers, but getting the research to those who do the work is not easy.

In the recent panic over the possible closure of the Strait of Hormuz, the GCC ministers have been discussing in detail the creation of a strategic food reserve. The Gulf is still many years from being independent of food imports. The small emirate of Fujairah outside the sultanate is anxious to be the home of one such reserve and has done a study related to its port, possibly storing grain in a floating silo.

Another project that the GCC might take under its wing is the renewed suggestion to bring fresh water to the region in empty oil tankers. Environmental pressure means that the tanks are more efficiently cleaned after discharging oil so that water carried in the tanks could be used for irrigation instead of expensive desalinated water. But water is an emotional issue, and one does not expect that level of cooperation developing for some time to come.

Most of it from the European Community. There are, however, a few dairies; there is even a road sign in the Emirates warning drivers that cattle may cross the road. The largest dairy in the Gulf is in Saudi Arabia, the so-called new Texas will make it self-sufficient in wheat in the near future. The Saudi government guarantees that large-scale exports are un-

likely for a long time and the U.A.E. government is trying to be more selective in its encouragement.

Forestry is a strange concept in the desert landscape of Arabia.

There are huge plantations along the Gulf coast, with saplings lining the road, several rows deep.

Their main purpose is to act as windbreakers and dune stabilizers.

Date palms have been planted, with seedlings from Iraq, where most

experimentation goes on. The

frigerator standard of living has made people more selective about the product — hence the boxes of

California dates in Gulf supermarkets.

Saudis eat the most (29 kilos per capita a year) and grow the most popular varieties. A good

Arabian palm will produce 30 kilograms a year, but a California palm can produce 100 kilograms.

Poultry is the boom industry at the moment. "If anyone comes to me with a project for a chicken farm," a bank manager said, "I'll throw myself out of the window."

The statistics are mind-boggling: Saudis, for instance, eat 200 million chickens as well as 1 billion eggs a year. Three chicken farms are being built in the United Arab Emirates, which together will provide another 10 million or more eggs annually.

Meanwhile, the Emirates imports nearly \$300 million worth of chickens a year, most of it from Denmark, where four Arabs are sent every two weeks to do the slaughtering along Islamic lines. Much of the

feed for Gulf chicken farms comes

as raw material from Pakistan to a Sharjah feed mill, which exports throughout the Gulf.

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THE GULF STATES

The GCC: Joint Response to a Perceived Threat

(Continued From Preceding Page)
Gulf and later diplomatic representation abroad — except in Saudi Arabia where Britain did not achieve the same influence. This treaty relationship came to an end in 1962 for Kuwait, and for the other littoral states of the Gulf in 1971.

Because Britain had never up-graded its supervisory presence in the Gulf to full colonial engagement in the hinterland, not interfering more than necessary the internal affairs of the sheikhdoms and the Sultanate of Muscat and Oman, none of these states had the ready-made administration and infrastructure to rely on when their oil incomes generated the need to develop their societies.

All six GCC states are oil producers, from Saudi Arabia, which reached 9.9 million barrels a day in 1980, to Bahrain, which is down to 40,000 barrels a day. But the year that a country first exported oil is as vital for its development as is the amount of oil it can export today. For instance, Bahrain has become the center of banking and services in the Gulf because Bahrain is where oil was first discovered in the Gulf in 1932. Bahrain's society of merchants, which already had instituted formal schooling in 1919, benefits more from the oil boom in neighboring countries than from its

own limited oil resources. Unlike any of its partners in the Gulf Cooperation Council, Bahrain exports specialized manpower, such as teachers, administrators or bankers to other Gulf states.

The stark contrast between the haves and the have-nots in the past already generated close contacts among the Gulf states. Individuals or whole families moved from Abu Dhabi, Dubai, Oman and the smaller emirates to Qatar, Kuwait and Saudi Arabia, where they found work, health services and education. During the early years of oil in the Gulf, these fortunate states demonstrated a practical type of Arab brotherhood and Islamic social obligation by building, running and maintaining hospitals, roads and schools for the benefit of the whole area.

Therefore, far from being merely an ad hoc response to a particular political situation, the GCC could build on substantial common ground. The announcement in the spring of 1983 by the government of Harold Wilson that Britain would withdraw its umbrella from the Gulf before the end of 1971 provided the impetus for mutual consultation on how best to respond to the new situation.

Although the original federation of nine Gulf emirates did not materialize, preparing its constitution

and coping with Iran's claims to Bahrain and three other islands required continual dialogue and often intense bargaining. Kuwait and Saudi Arabia participated as mediators in these federation talks. Eventually, due to the considerable geographical obstacles and demographic imbalance, the federation of the nine failed, and Bahrain and Qatar declared themselves independent in the summer of 1971.

The seven Trucial States were left to continue to build on foundations already laid, and benefiting from the experience of the previous three years, they were eventually able to establish a workable federal state.

The economy of the UAE, which was founded in December 1971, rests quite securely on Abu Dhabi's and Dubai's substantial revenues from oil. Yet, observers

have persistently predicted the collapse of the federation, pointing to the differences between the partners and to the provisional constitution that allows each member to be semi-autonomous. However, it is the strength of all federal systems, that they can accommodate differences that would break a rigidly centralized administration. The UAE benefits from the grassroots democracy that each of the seven paternalistically ruled emirates provides for its citizens in urban centers, desert settlements and mountain oases. Where this time

honored system fails to provide the modern amenities that the population of such a rich state now can expect, the centralized administration of the relevant ministry is there to step in.

Having observed how the GCC already has drawn almost every conceivable aspect of a public, political or administrative nature into its orbit, it might seem possible that eventually its various administrative bodies could function like the U.A.E.'s federal ministries. Several GCC regulations already have been adopted by individual governments, and their implementation could eventually develop into some kind of Gulf-wide centralized administration.

There are two principal reasons that the Gulf Cooperation Council has developed so rapidly from a loose alliance to practical cooperation: One is that however much these states differ in size, economic weight and political maturity, they all are in the process of institution building and of legislating for circumstances that several years ago did not exist in their territories. It suits each one of the six governments to pool resources and jointly to work out the new legal, administrative and practical procedures. The other reason is that the GCC enjoys considerable popular support.

In the face of intolerable immigration levels, which have in some member states already reduced the local population to a mere 20 percent of the total number of inhabitants, most Arabs of the Gulf hope

that the GCC is the magic wand

that eventually will enable them to manage their public and private affairs more efficiently and with minimal outside help. The intellectuals among them have in recent decades observed the shortcomings and failures of Nasserism, Baathism, Pan-Arabism and communism. They also have seen that the rest of the Arab world has often bluntly demanded financial contributions from the rich Gulf oil producers, while treating them as though they were politically backward.

Thus, risking the odium of selfishly establishing an exclusive club of the richest Arab states, some of the spiritual leaders of the GCC claim that the whole Arab world needs a new moral and practical backbone, which the politically liberal leadership in the Gulf may be in a good position to provide. If this means that, for the time being, the GCC also looks like a convenient means to perpetuate the paternalistic rule of these countries' dynasties — well, they say, that is what the majority of the local population can still most readily identify with.

CAIRO — The appearance of a consensus characterizing Gulf Cooperation Council decisions often masks real conflicts of interests that might stand in the way of the Gulf countries' hope of attaining political unity.

The rules governing operation within the GCC are based on the principle of equality. But this is only theoretical as the six members can easily be classified according to their performance within the GCC as leaders, their protégés or satellites, renegades or renegades.

Saudi Arabia, by far the largest of these oil-producing states, and one whose defense capabilities guarantee it the status of a regional power in the Middle East, is recognized by others as speaker for the group. But its predominance over the council is often questioned in stormy meetings by Kuwait, the second-largest oil producer in the Arabian Peninsula, and an emirate that regards itself as more modernized and open than the rest of the member states.

Oman, the sultanate at the southeastern tip of the peninsula overlooking the Strait of Hormuz, has adopted a pro-Western policy, and is often blamed by its Gulf neighbors for having sold its oil to Iran.

The other smaller states include Bahrain, regarded by analysts as a Saudi protégé, and two satellites — the United Arab Emirates and Qatar.

GCC members seem to differ less on economic issues than on matters related to defense, security or foreign policy. A few months after the GCC was formed, the Gulf states were able to reach consensus on a detailed economic agreement covering the various fields of policy coordination and integration between them. But despite the pressing need for a similar agreement on defense and security, they have only managed to work out a general agreement on defense. The security pact has been on the agenda of two summit meetings, and was to be brought up at the meeting this month.

With the Gulf viewed — since the revolution in Iran and the Iraqi-Iranian war — as one of the world's hottest areas, relations with the superpowers are an unresolved issue of crucial importance.

The key question of possible U.S. intervention in the event of an Iranian assault on the Gulf is one that these states continue to haggle over, and the view of the three most powerful ones diverge widely. Another

key question that they continue to differ on is the extent to which other GCC states should extend help to a member state in the event of a domestic unrest. They also have not figured out a way of overcoming competition among themselves in preparation for achieving economic unity and interdependence.

Kuwait seems to be Saudi Arabia's closest partner on economic subjects, backing Saudi suggestions at OPEC meetings and often seeking to rally radical states, with which it shares good relations, to the Saudi side. But it has stood firmly against a Saudi-sponsored security agreement calling for the coordination of punishments, cross-border patrols and extradition of criminals.

A number of factors qualify Kuwait as the "renegade" of the group, as a Western analyst put it. They include its ties with the Soviet Union, its relations with radical Arab states, and its rallying of the United Arab Emirates to its side at the summit meeting following the Iranian-backed coup attempt in Bahrain to prevent the adoption of collective sanctions against Iran — with which both countries maintain trade relations.

In many ways Oman is at the other end of the spectrum, advocating a direct superpower — American — role in protecting the Gulf. In contrast to Kuwait, Oman urges other GCC members to speed up the implementation of unified contingency plans and military coordination.

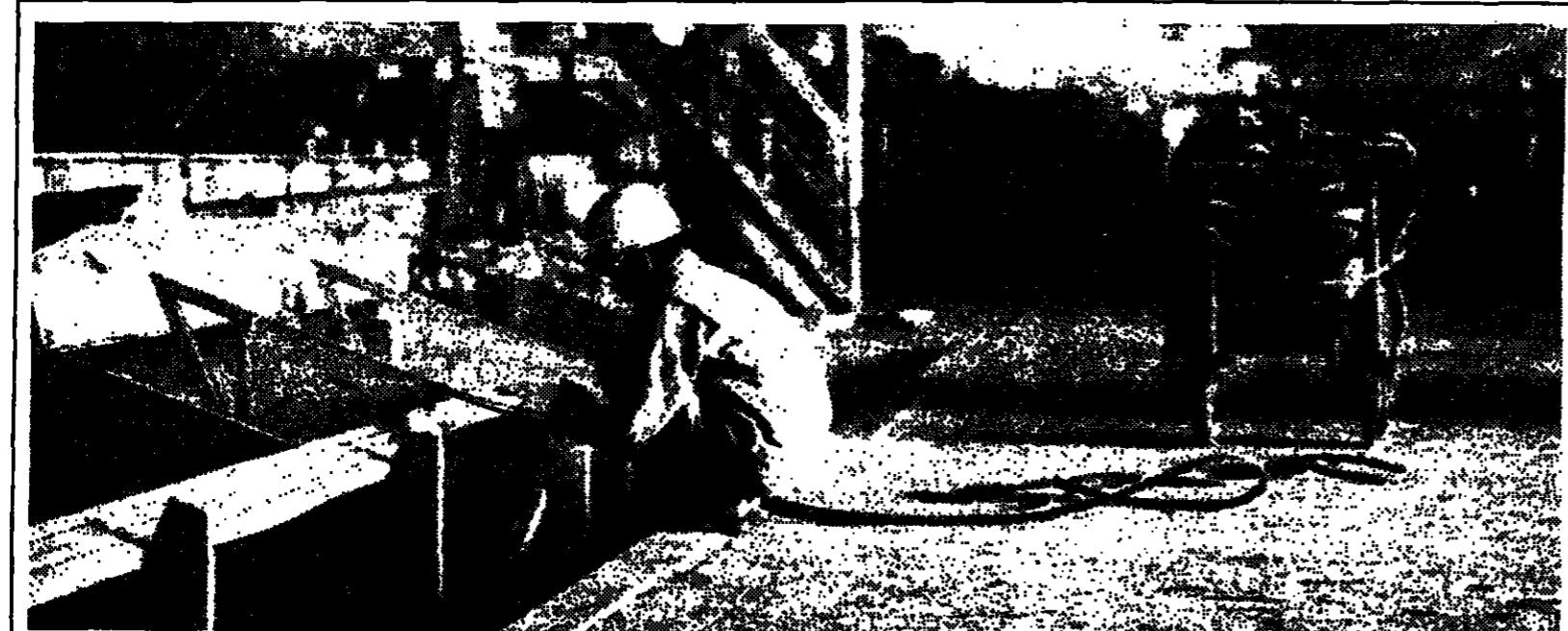
Oman's deep concern for its security stems from its location at the mouth of the Gulf, controlling navigation through the Strait of Hormuz. According to one official, Oman's pro-Western stands and its continuing diplomatic relations with Egypt (after that country was denounced by most Arab nations for its peace treaty with Israel) have often put it in difficult situations, especially at closed meetings.

Bahrain, the Gulf's resort and financial center and the closest of the smaller states to Saudi Arabia, often receives rewards for being its faithful ally. A few days after a coup attempt in the island in December 1981, the two countries signed what amounted to a mutual defense pact. Moreover, to boost Bahrain's economy, suffering from the effect of the recession in the West and the drop in oil prices, work has begun on a causeway linking the two countries and costing Saudi Arabia about \$1 billion. Bahrain was also the first state to receive a GCC grant.

— OLFAT TOHAMY



A Mercedes assembly factory at Jeddah.



Steel production at the Qatar Steel Company. The emirate has invested heavily in industrial production.

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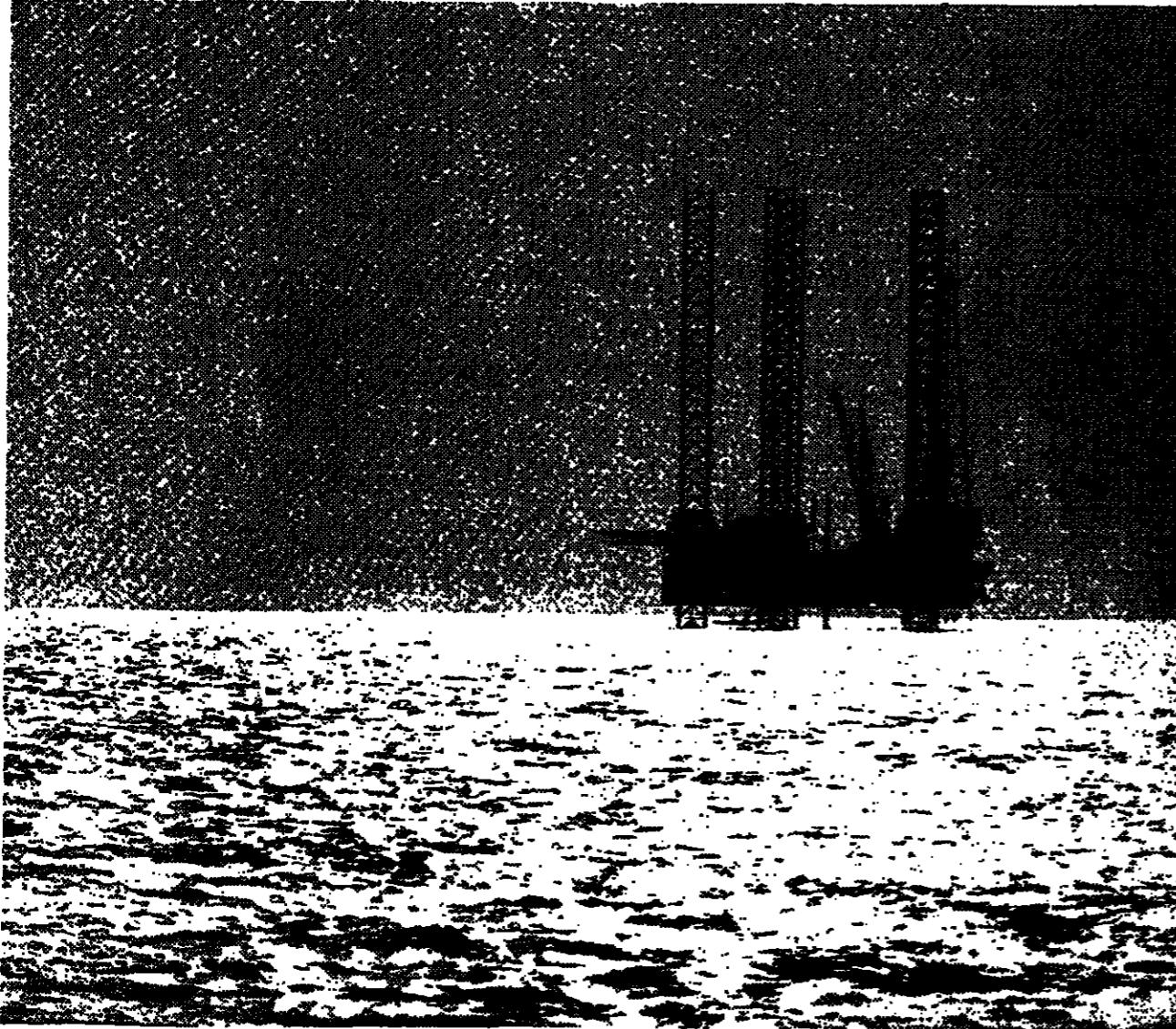
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THE GULF STATES

Security: More Coordination at the Top

By Robert Bailey

EACH OF the six member states of the Gulf Cooperation Council has spent millions of dollars purchasing military equipment in the last 10 years in a search for a still elusive sense of security.

Until recently, military planning was conducted individually by each nation. However, defense cooperation is an increasingly important factor in GCC thinking, according to the Riyadh-based council's secretary-general, Abdallah Bishara, who points out that such cooperation is necessary to give credibility to the council's nonaligned foreign policy.

The first military exercises involving contingents from all six countries ended on Oct. 16. They are an indication of the concentrated efforts being made to acquire the necessary credibility. It will not be a rapid process.

While about 190,000 men can be called upon

together with nearly 900 main battle tanks, 3,500 other armored vehicles, 400 fighter aircraft and 800 helicopters, an almost total lack of coordination between the states renders this formidable inventory of weapons almost impotent. The lack of coordination is sometimes exacerbated by rivalries between elements in the armed forces of individual states such as Saudi Arabia, which has a regular army of 35,000 men and is separately constituted and equipped 25,000-member bedouin force known as the National Guard.

The most lavishly outfitted forces of all the GCC states are found in Saudi Arabia. The army is negotiating the purchase of 1,200 of the latest U.S. M-1 Abrams main battle tanks.

The sultanate's strategic importance has increased dramatically since the outbreak of the

Yom Kippur war, mainly because of Oman's control of territory on one side of the Strait of Hormuz, through which 30 percent to 40 percent of the non-communist world's crude oil is transported. Oman's armed forces have been built slowly with attention to in-depth education and training. The result is more than 500 fully-fledged local officers ranking up to brigadier general.

A comparatively large navy is being formed around an attack force of 12 fast vessels, nine of which are armed with Exocet MM-40 missiles and four corvettes armed with Harpoon surface-to-surface missiles. Four frigates and two logistics ships are also due to be supplied by France, which has sold almost \$5 billion in ships and other naval equipment and support services to Saudi Arabia since 1980.

The purchase of modern equipment is mirrored to a lesser scale in other GCC states. All lack skilled manpower, however. It is reported that 10,000 foreign-contracted military personnel work in Saudi Arabia. British Aerospace has 1,500 expatriate staff providing training and support for the air force. U.S. and French technicians and instructors also support long-standing military programs.

While a Saudi battalion fought on the Suez Canal in the 1973 war and Saudi troops took part for a period in the Arab League's Lebanon peacekeeping force, Gulf soldiers — with the exception of the Omanis — and their officers have virtually no combat experience. Oman's compact British-commanded forces fought a prolonged and successful campaign against leftist-backed insurgents in the country's southern Dhofar area in the early 1970s.

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Gulf war, mainly because of Oman's control of territory on one side of the Strait of Hormuz, through which 30 percent to 40 percent of the non-communist world's crude oil is transported. Oman's armed forces have been built slowly with attention to in-depth education and training. The result is more than 500 fully-fledged local officers ranking up to brigadier general.

But the Gulf as a whole shows little sign of having the patience to adopt such a structured approach. The Dir Jazirah (Island Shield) maneuvers that recently ended in the United Arab Emirates involved tanks, armored vehicles, mechanized infantry and ground attack aircraft.

Although all the Gulf rulers would like to be reliant on an Arab regional force for security, it seems highly unlikely that Western military strength can ever be far away from official minds, despite the fact that it remains firm policy to avoid any overt display of that strength.

The biggest perceived threat is undoubtedly the possible spillover of the war between Iran and Iraq into other Gulf areas — for example, through an Iranian attempt to close the Strait of Hormuz or through air attacks on oil installations.

A NATO-like structure, even if desired, is unlikely to be established in the short term. The fact that maneuvers have been held at all is a political achievement in itself. They are likely to be an annual event and in 1984 will probably feature air and naval exercises. There seems to be a determination to overcome previous political obstacles to achieving progress on defense cooperation.

Pace of Development Is Slowing Down

FACED BY the dramatic fall in oil prices this year, Gulf oil-producing states are having to adjust to sharply lower revenues, and for the first time in years are scrutinizing their economic development plans.

Saudi Arabia is running a current account deficit of \$21 billion this year; Oman and Bahrain each have deficits of nearly \$1 billion. Kuwait and Qatar are expected to get over the hump without serious damage; but, the United Arab Emirates, the Gulf's trading center, has predicted its largest budget deficit ever. Oil exports make up more than 90 percent of the Emirates' income.

When prices began to fall, Saudi Arabia, Kuwait, Qatar and Oman moved quickly to cut their import bills. That hurt Bahrain and the Emirates, which depend on re-export to other Gulf states as a source of income. A continuation of this trend could lead to major declines in consumption — which ballooned in the oil-producing states during the prosperous 1970s — and could harm a private sector that has shown a preference for commercial activities as opposed to medium- or long-term investment.

One study points out, however, that the industrial plans of all the Gulf states continue to allocate the bulk of available funds to oil-related industries, including refining and petrochemicals.

Only Saudi Arabia and Oman have made significant moves to diversify their economies and to build a sound base for industrialization.

Saudi Arabia, which in the last decade developed an infrastructure that should fill its needs through the year 2000, has cut spending on

and agriculture by about one-fifth. It is channelling more funds to industry and power generation.

The kingdom leads the Gulf in iron and steel production, with an annual output of 900,000 tons of iron and 140,000 tons of steel. Oman now manufactures products including appliances, processed foods and construction materials.

All Gulf states, however, share the problem of high production costs. The cost of importing labor is a big part of this, and studies predict that the use of foreign workers will continue to grow for the rest of this decade, despite the economic slowdown.

The native labor force is now only 10 percent of the total in the U.A.E.; 14 percent in Qatar, 24 percent in Kuwait, 46 percent in Bahrain, 48 percent in Saudi Arabia and 58 percent in Oman.

The scarcity of raw materials and the continued dependence on imported technology, along with the drop in available capital, make the sole cheap productive factor in industry.

— OLFACT TOHAMY

From Tehran, the Gulf Council Appears Hostile

ALTHOUGH the Gulf Cooperation Council does not include Iran, Saudi Arabia receives its share of tributes by Tehran. Yet the two countries have to deal directly with each other — to arrange pilgrimages to Mecca and Medina by tens of thousands of Iranian Moslems.

The Iranian press often describes it as a re-creation of the Central Treaty Organization, which was formally dissolved after the Iranian revolution.

During its peak period, CENTO, as the organization was known, included a monarchical Iraq, Turkey, Iran, Pakistan and Britain.

The United States was an associate member.

In the absence of a formal link between the GCC and a Western nation, the Iranian media highlight military ties between individual GCC members and the United States. A recent Tehran radio commentary, for instance, pointed out that Washington had spent \$210 million on building or improving Omani military facilities on Masirah Island, Tsimir airport near Salalah and Seeb airport near the Strait of Hormuz. It also said that in Bahrain there was a "floating U.S. naval base" of five warships. Not surprisingly, Iran is extremely hostile to Oman and Bahrain.

As a major financier of Iraq's

war with Iran, Saudi Arabia receives its share of tributes by Tehran. Yet the two countries have to deal directly with each other — to arrange pilgrimages to Mecca and Medina by tens of thousands of Iranian Moslems.

Despite the varied nature of its relations with individual GCC countries, Iran remains strongly antipathetic to the organization as a whole. On the eve of the last GCC summit meeting in February, Sobe-e Azadegan, a pro-regime

Iranian newspaper, warned the GCC rulers: "The reactionary robins who have associated their interests with the United States and other imperialist countries have to be aware that these deeds of theirs will bring harm to their countries and their peoples. They must return to the lap of Islam, abandon the Saddam Hussein regime in Baghdad, and stop squandering the wealth of their people."

— DILIP HIRO

The Iran-Iraq War: No Settlement in Sight

(Continued From Page 9)
Dord, Amsterdam, Singapore and Seoul.

At the same time efforts are continuing to make Iran self-sufficient in the manufacture of small arms and in the repair and maintenance of U.S. and British weapons. Since the war, the small arms output of Iran has lost about 30 aircraft. Of the rest, only about a third are known to be airworthy. In contrast, Iraq has about 400 serviceable Soviet and French combat aircraft.

So far Iran has failed to buy warplanes abroad. No member of the North Atlantic Treaty Organization or the Warsaw Pact is willing to sell them to Tehran. The same is true of the neutral European states, since their military aircraft are equipped with U.S., British or French jet engines. Iran's only hope lies with China.

Yet, a shortage of airworthy jet fighters remains Iran's single most important military problem. Before the revolution, Iran had 430 warplanes. In the course of the war, it has lost about 30 aircraft. Of the rest, only about a third are known to be airworthy. In contrast, Iraq has about 400 serviceable Soviet and French combat aircraft.

Most of the Iranian offensives of the last 18 months were launched without close air support, resulting in heavy loss of life.

But that apparently has diminished neither the morale of the Iranian forces nor their commitment to fight on until President Saddam Hussein agrees to withdraw and pay \$150 billion in war damages.

And the Iranian government believes that such a decision would pave the way for his downfall.

Lack of operational aircraft has compelled Iran's military leaders to use them primarily for defense purposes: protection of airfields, refineries, oil fields, installations, and important cities.

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But that apparently has diminished neither the morale of the Iranian forces nor their commitment to fight on until President Saddam Hussein agrees to withdraw and pay \$150 billion in war damages.

And the Iranian government believes that such a decision would pave the way for his downfall.



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EUROBONDS

By CARL GEWIRTZ

M-1 Report Fails to Ease Market Fears Of Turbulence Until End of the Year

PARIS — A modest \$300-million increase in the U.S. money supply reported late Friday by the Federal Reserve will do little to allay fears in the Eurobond market that very turbulent days lie the path to the year's end.

What worries bankers are estimates that the U.S. Treasury will need to raise \$35 billion to \$30 billion from now until the end of the year in 21 auctions and that excluding holidays and Fridays there are only 29 working days left to do so — assuming that the congressional impasse on increasing the debt ceiling is resolved.

That kind of volume is viewed as certain to put upward pressure on interest rates and probably cause all but the most cash-hungry borrowers to stay away from the bond market. But the real worry is what effect a rise in rates would have on the secondary market.

It is widely assumed, and unfortunately impossible to quantify, that investment banks are sitting on very large amounts of unsold bonds. In a favorable environment — where short-term interest rates that banks pay to finance their holdings are lower than the interest income of the bonds — a large overhang is no problem because there is every incentive to sit on the inventory and accumulate profits.

But if financing costs outstrip the income generated by the bonds held in inventory, there could be a massive liquidation of those holdings as banks seek to cut their losses. As it is, the Eurobond market looks fragile because yields in it are lower than those prevailing in New York.

Thus, if yields in New York rise, prices of Eurobonds would have to drop very sharply to catch up.

Currently, it is still profitable to sit on these holdings. In addition, as many of the recent deals are already quoted at very substantial discounts, no one is rushing to unload and take a loss. So everyone sits tight, hoping that a year-end blood bath can be avoided.

In the meantime, no one is buying any paper either. The only exception is floating-rate notes, which by their nature offer investors the greatest protection against volatile short-term interest rates. Thus, Sweden's floating-rate-note issue, launched a week earlier, was doubled to \$1 billion, and Banco di Roma and Banque de Développement Economique de Tunisie were able to tap the market.

3 Japanese Floaters Expected

Said to be in the offing are floaters for three Japanese banks — Sankei, Fuji and Mitsubishi.

The heavy demand for floaters was reflected in the fact that floating-rate notes of top quality of U.S. banks are trading at a thin six-to-ten basis points over the London interbank offered rate.

In the pound sector, Deutsche issued \$100 million of 15-year notes that can be redeemed at par after 10 years. Interest was set at a quarter-point over the three-month domestic interbank rate.

But the fixed-rate market was shunned. Long Term Credit Bank of Japan offered \$100 million of 10-year bonds at par bearing a coupon of 12 percent — a level that analysts agreed was reasonable. Nevertheless, the bonds ended the week quoted at 98%.

The Asian Development Bank's \$100 million of 10-year bonds did less well. Offered at a discount of 99 and bearing a coupon of 11 1/4 percent, the bonds ended the week quoted at 98 1/4.

(Continued on Page 15, Col. 1)

EC Reaches Technology Agreement

Reuter

BRUSSELS — European Community ministers have agreed on a 10-year plan to encourage European companies to work together on information technology, in a bid to boost the 10 EC members' computer-research efforts.

Officials said the ministers broke a deadlock Saturday over technical details of administering the plan that had held up a final accord when they last met in Luxembourg a week ago.

Named Espri (European Strategic Program for Research and Development in Information Technology), the plan will need financing equivalent to about \$1.3 billion during the first five years, starting in 1984, the officials said.

It is aimed at eliminating the EC's growing trade deficit in information technology and at matching U.S. and Japanese competitors within 10 years.

The community has seen a gradual erosion of its share of the market in information technology, which has been growing worldwide about 10 percent. The EC had a trade surplus in information technology in 1975 but this had become a \$10-billion deficit by 1982.

The ministers agreed on how to select projects and organize the plan, but reached no accord on the final cash levels.

While eight nations favored community financing over five years of about \$630 million, with an equal contribution from the companies involved, Britain and West Germany refused to fix a figure.

The two nations, net contributors to the EC budget, said financing for Espri should be tied to an overhaul of the community's finances due to be made by leaders of the 10 nations at a summit meeting in Athens next month.

While the cash represents only a fraction of the more than \$5 billion spent yearly around the world in high-technology research, community officials believe that a transnational approach is vital.

Espri will focus on five main aspects of information technology — microelectronics, information processing, software technology, office automation and computers.



Carlos Geraldo Pedreira Figueiredo, his wife, Ivana, and their three children in a Rio de Janeiro supermarket.

Brazil's Woes Squeeze Its New Bourgeoisie

By Peter T. Kilborn

New York Times Service

RIO DE JANEIRO — The woman works in an office nearby and walks to the Freeway supermarket now and then, more often to look than to buy.

For a minute or so, she studies a tall blue refrigerator, one of the many things the Freeway sells besides food. She is tall, handsome, looks about 45 and speaks in unmodulated tones, barre of any hint. "We are defeated," she said.

The woman's name is Ilka Soares da Silva. She said she no longer uses her car because the price of gasoline, about \$2 a gallon, has become absurd. Mrs. Soares da Silva's children, daughters aged 21 and 20, have quit college to go to work. She said she had delayed paying her rent. "I think everything got worse after the president borrowed this big money," she added.

Inflation, austerity, debts to foreign bankers, wrangling in Brasilia over how to cut incomes, Brazil's long and stubborn recession — all these forces have come to a boil in the Freeway supermarket, actually a "hypermarket," the sign in front says.

The Freeway is in Barra da Tijuca, a district on the fringe of Rio de Janeiro immune to the crisis until recently. Newly developed with tall, balcony-studded apartment buildings with views of the Atlantic, the district has attracted relatively high- and middle-income people who are not quite rich enough to buy homes closer to Rio, along the beaches of Ipanema and Leblon.

When the economy was growing and the gap between the rich and the poor was spreading, as it did in the "miracle" years, these people were the beneficiaries. But the new austerity has reached them, too, and now the government has decreed that the higher a person's pay, the smaller his relative annual raise, while the lower wages are raised in step with inflation.

Carlos Geraldo Pedreira Figueiredo, 22, and his wife, Ivana, (Continued on Page 17, Col. 5)

2 Long-Awaited Operations Made Public

By Carl Gewirtz

International Herald Tribune

PARIS — Activity in the syndicated-loan market picked up last week with the long-awaited operations for Greece's Public Power Corp. and for the government of Tunisia finally being made public.

Meanwhile, banks were still competing to win the mandate to bring Algeria to market. However, the Algerians are using the competition to drive down its borrowing costs, and some banks say bankers are beginning to cool to the deal.

Just how low rates can go is being demonstrated by Santa Fe International, the U.S. engineering and energy company that was taken over by the government-owned Kuwait Petroleum Corp. in 1981.

The U.S. company is borrowing \$100 million. For the first five years, the loan will be a revolving credit. Interest on amounts drawn will be set at 1/4 point over the London interbank offered rate. On amounts not drawn, banks will be paid a commitment fee of 1/4 percent for the first three years and 1/2 percent for the final two years.

At the end of the fifth year, the \$100 million becomes a term loan with a five-year maturity with interest set at 1/4 point over Libor. The low margins are exactly what they seem as Santa Fe is paying no commissions or hidden fees.

Two of the lead banks — Arab Banking Corp. and Gulf Interna-

tional Bank — are partially owned by Kuwait. The other lead managers are Bank of America, Royal Bank of Canada, National Westminster and West Deutsche Landesbank.

The Algerian operation is not really comparable because it is

SYNDICATED LOANS

seeking up to \$750 million. Nevertheless, the Algerians reportedly are pressuring the three competing syndicates seeking to win its mandate to offer lower terms. At the outset, bankers were agreed that the Algerians should pay a split 1/4 point over Libor for an eight-year loan.

Banks eager to participate in the Algerian loan point out that its outstanding foreign debt totals a modest \$14.4 billion, it has reserves of \$2.6 billion and is running a trade surplus of \$2.8 billion. But, critics note that while Algeria has been largely absent from the market for two years, it could be coming back with a vengeance since it has high project-development costs and is dependent on revenues from oil and gas.

The latest talk is that the Algerians want a margin of half a point throughout or for most of the period. They are also said to be considering marketing part of the amount as a floating-rate note.

Tunisia, a much less solid credit, (Continued on Page 15, Col. 5)

Galvães Opposes a Brazil Debt-Repayment Freeze

By Peter T. Kilborn

New York Times Service

RIO DE JANEIRO — Brazil's finance minister, Ernesto Galvães, said here that the government had little interest in freezing payments on its \$90-billion foreign debt or

converting all interest payments into principal.

Proposals to relieve Brazil of its debt payments for three or more years have found widespread support among Brazilian legislators and prominent economists, including members of the government's

own party — see such a freeze as the only way to give the country breathing room to rebuild its economy.

Some European bankers have also expressed sympathy with a freeze on the ground that Brazil would emerge as a much stronger nation after a respite from debt repayment.

In an interview Friday, Mr. Galvães suggested that his reasons for opposing a freeze were mostly pragmatic. "You have different ways to achieve the same results," he said. "As long as the banks will lend you the money, it's the same thing."

Mr. Galvães also suggested Friday that the nation's bank creditors were satisfied with the government's latest efforts to curb its inflation and restrict wage increases, and predicted that they would approve more than \$11 billion in new loans.

Brazil's latest, as-yet-unsigned agreements with the banks and the International Monetary Fund call for it to receive \$6.5 billion in fresh bank loans, a rescheduling of \$5.3 billion in principal payments coming due in 1984, \$2.5 billion in trade financing, mostly from the United States, and the postpone-

ment of \$2 billion in debt principal owed next year to the governments of major industrial nations.

In addition, once the IMF and the banks complete this package, Brazil would start receiving money from a \$5.4-billion loan package that it signed with the fund last winter. Brazil would also start receiving disbursements from a \$4.4-billion commercial bank package signed last February.

Disbursements from both programs have been held up pending Brazil's agreement to control wage increases and bring its inflation rate within an IMF-set target range. The board of the fund will meet Nov. 18 in Washington to decide whether to approve the new letter of intent.

In a telephone interview from Washington, Affonso Celso Pastore, the president of Brazil's central bank, said Friday that the IMF was likely to waive its inflation targets for Brazil.

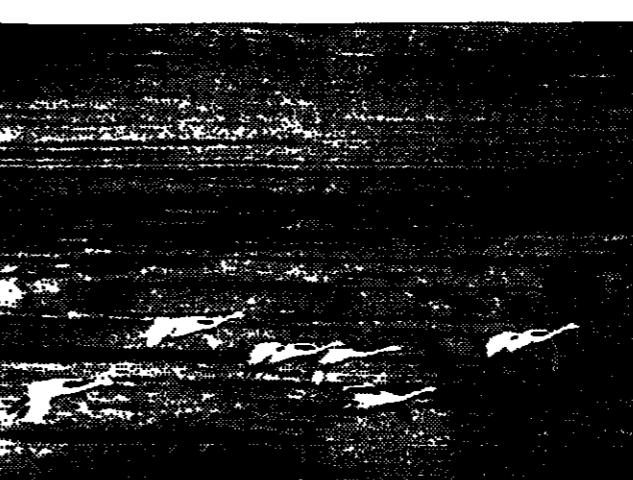
Inflation in Brazil is now running at an annual rate of just under 200 percent. In its new agreement with the fund, Brazilian officials have agreed to pare the annual rate of inflation to 55 percent by the end of next year.

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1 Commercial (1) (2) Amounts needed to buy one pound (1) Units of 100 (2) Units of 1,000

N.G.: not quoted; N.A.: not available.

1 Sterling 2:1746 3:1747 4:1748 5:1749 6:1750 7:1751 8:1752 9:1753 10:1754 11:1755 12:1756 13:1757 14:1758 15:1759 16:1760 17:1761 18:1762 19:1763 20:1764 21:1765 22:1766 23:1767 24:1768 25:1769 26:1770 27:1771 28:1772 29:1773 30:1774 31:1775 32:1776 33:1777 34:1778 35:1779 36:1780 37:1781 38:1782 39:1783 40:1784 41:1785 42:1786 43:1787 44:1788 45:1789 46:1790 47:1791 48:1792 49:1793 50:1794 51:1795 52:1796 53:1797 54:1798 55:1799 56:1799 57:1799 58:1799 59:1799 60:1799 61:1799 62:1799 63:1799 64:1799 65:1799 66:1799 67:1799 68:1799 69:1799 70:1799 71:1799 72:1799 73:1799 74:1799 75:1799 76:1799 77:1799 78:1799 79:1799 80:1799 81:1799 82:1799 83:1799 84:1799 85:1799 86:1799 87:1799 88:1799 89:1799 90:1799 91:1799 92:1799 93:1799 94:1799 95:1799 96:1799 97:1799 98:1799 99:1799 100:1799 101:1799 102:1799 103:1799 104:1799 105:1799 106:1799 107:1799 108:1799 109:1799 110:1799 111:1799 112:1799 113:1799 114:1799 115:1799 116:1799 117:1799 118:1799 119:1799 120:1799 121:1799 122:1799 123:1799 124:1799 125:1799 126:1799 127:1799 128:1799 129:1799 130:1799 131:1799 132:1799 133:1799 134:1799 135:1799 136:1799 137:1799 138:1799 139:1799 140:1799 141:1799 142:1799 143:1799 144:1799 145:1799 146:1799 147:1799 148:1799 149:1799 150:1799 151:1799 152:1799 153:1799 154:1799 155:1799 156:1799 157:1799 158:1799 159:1799 160:1799 161:1799 162:1799 163:1799 164:1799 165:1799 166:1799 167:1799 168:1799 169:1799 170:1799 171:1799 172:1799 173:1799 174:1799 175:1799 176:1799 177:1799 178:1799 179:1799 180:1799 181:1799 182:1799 183:1799 184:1799 185:1799 186:1799 187:1799 188:1799 189:1799 190:1799 191:1799 192:1799 193:1799 194:1799 195:1799 196:1799 197:1799 198:1799 199:1799 200:1799 201:1799 202:1799 203:1799 204:1799 205:1799 206:1799 207:1799 208:1799 209:1799 210:1799 211:1799 212:1799 213:1799 214:1799 215:1799 216:1799 217:1799 218:1799 219:1799 220:1799 221:1799 222:1799 223:1799 224:1799 225:1799 226:1799 227:1799 228:1799 229:1799 230:1799 231:1799 232:1799 233:1799 234:1799 235:1799 236:1799 237:1799 238:1799 239:1799 240:1799 241:1799 242:1799 243:1799 244:1799 245:1799 246:1799 247:1799 248:1

NEW EUROBOND ISSUES

Issuer	Issue	Amount (billions)	Maturity	Coupon %	Price	Yield At Offer	Terms
Salomon Bros.	1983	1.53	1988	10%	100	10%	Noncallable.
Salomon Bros.	1984	1.53	1993	11%	100	11%	Over 6-month Libor. Minimum coupon 5.5%. Callable at any time after first year at par. At par or 101 in 1984.
Salomon Bros.	1985	1.53	1994	12%	100	12%	Over 6-month Libor. Minimum coupon 5.5%. Callable at any time after first year at par. At par or 101 in 1985.
Salomon Bros.	1986	1.53	1995	13%	100	13%	Over 6-month Libor. Minimum coupon 5.5%. Callable at any time after first year at par. At par or 101 in 1986.
World Bank	1983	100	1988	10%	100	10%	Noncallable.
World Bank	1984	50	1993	11	100	11	First callable at 101 in 1989.

M-1 Report Fails to Lift Eurobond Market's Hopes

(Continued from Page 13)

ADB paper ended the week at 95%.

The equity-linked market fared

little better with Dart & Kraft's

issue, offered at par, quoted at 97.

The sagging stock price of 3M, into

which the DAX issue is convertible,

did not help matters.

In contrast, the first pound issue

with warrants appeared to be well

received. Investors in industry sold

250 million of eight-year notes

bearing a coupon of 11 1/2 percent

at 99 1/2 to yield 11.55 percent. The

notes are denominated in units of

£5,000.

Five-year warrants to buy £5,000

of 10-percent notes at par were

offered at £100. Both notes and

warrants were quoted at issue price.

In the European Currency Unit

market, the World Bank offered

100 million ECU's of five-year

notes at par bearing a coupon of

10 percent and 50 million ECU's

of 10-year bonds at par bearing a

coupon of 11 percent. The notes

ended the week at modest discounts

but analysts suspected that the

price was being supported by

the underwriting syndicate.

The seven-year ECU notes

bearing a coupon of 11 1/2 percent

were quoted at a discount of 2 1/2

points, and Aéroport de Paris's 10-

year bonds bearing a coupon of

11 1/2 percent were quoted at a dis-

count of 1%. Dealers say the recent

volume of ECU paper has been too

heavy and the market needs a re-

spite.

Overall, the nondollar sectors of

the market were showing strain from

the renewed strength of the dollar. The U.S. invasion of Grenada, new fighting in the Middle East,

the midnight rescue of one of West

Germany's leading private banks

— Schröder, Münchmeyer, Heegs

— and the financial plight of the

bank's main borrower, IBH Holding,

as well as expectations of firm

or short-term interest rates, com-

bined.

The moves were reflected in Sal-

omon Brothers' offering of Den-

mark-shilling contracts to buy and sell

the currency. At the offering date, with the exchange rate at 2.65 DM to the dollar, investors were offered 12-month warrants to buy 1,000 DM at a fixed rate of 2.58 DM. This call contract was initially priced at \$16.60 but by Friday, with the exchange rate pushing 2.67 DM, the price had slipped to \$15.75.

A companion contract to sell 1,000 DM at a rate of 2.67 DM, offered originally at \$9.50, rose to \$10.25. Factoring in the purchase price to buy either of the contracts, the market would have to fall to below 2.74 DM before the put contract came into the money or would have to rise to 2.48 DM for the call contract to show a profit.

The DM-bond sector will be re-

activated this week with two offer-

ings scheduled — 250 million DM

for Barclays Bank and 100 million

DM for SNCF, the French railway.

International Herald Tribune

for five years, but the amounts that

each bank is providing differ.

Analysts Fear Rising Inflation Will Boost Rates

By Michael Quint

New York Times Service

NEW YORK — The uncertainty and delays in the Treasury's three-part note-and-bond financing scheduled for this week may have raised interest rates slightly, but even without that disruption yields would have been sharply higher than earlier this year.

Last May, for example, the Treasury sold 30-year bonds with an average yield of 10.29 percent, compared to the 11.9 percent expected at Thursday's auction.

While many economists still say that bond yields could return to the 10.1 percent level by mid-1984, others note that rising inflation is a new factor in the bond market not present in May, which could deter investors and keep bond yields high.

The key question now is the degree to which prices will accelerate in the recovery," said Jack W. Lavery, chief economist at Merrill Lynch & Co. Mr. Lavery expects that investors will not be unduly

alarmed at rising inflation in the near future, as he forecasts a long-term Treasury bond yield of as low as 10 percent by the first quarter of next year. Yields will then gradually rise, he said, though they should not exceed current levels until the first half of 1985.

David H. Hale, chief economist at Kemper Financial Services Inc., estimated recently that past money

market rates

have been

over 12.25%.

U.S. CREDIT MARKETS

growth and the health of the economy

point toward inflation of 5 percent

to 6 percent in 1984. If the

value of the dollar declines in for-

ign-exchange markets, thereby

raising the cost of imports, an infla-

tion rate of 6 percent to 8 percent is

possible in 1985, he said.

One frequently used measure of

the rising trend in prices is the 5.3

percent annualized growth rate for

consumer prices during the three

months ending with September,

compared with the 2.9 percent rate

in the first six months of the year.

U.S. Consumer Rates

For Week Ended Nov. 5

Passbook Savings 5.50%

S&L Buyer 30-Year Index 9.79%

Money Market Funds 8.59%

Bank Money Market Accounts 8.51%

Bank Rate Monitor Index 12.25%

Home Mortgages

FHLMC average

is bound to increase official concern about inflationary developments." He predicted that concern over rising inflation will probably lead the Federal Reserve to "firm money-market conditions" and raise short-term interest rates later this year or in early 1984.

But not all economists agree with the forecast of rising inflation. Edward S. Hyman Jr., chief economist at Cyrus J. Lawrence, said slow growth in labor costs and modest expansion of the broad, M-3 money supply measure point towards lower inflation.

Friday, the Fed reported that the M-1 measure of the U.S. money supply rose \$900 million in the week ended Oct. 26. But analysts noted that M-1 is only \$1.5 billion above the low end of the Federal Reserve Board's 5-to-7-percent target growth range for the aggregate.

A report that M-1 had risen in the latest week had been expected anyway. M-1 consists of currency in circulation and money in checking and similar accounts.

2 New Operations Boost Syndicated-Loan Market

(Continued from Page 13)

nominations could impair the liquidity in secondary-market trading.

Morgan refuses to discuss details of the contract other than to say that it has negotiated terms that were mutually satisfactory. But the bank rejects reports describing it as a breakthrough.

Others agree. "A solution was found, but it's not obvious that the same way out could apply to other deals. It cannot be used as a precedent," said one banker.

While no one in the know was willing to spell out the details, it appears that an earlier Crédit National loan, syndicated in 1982, carried the desired cross-default clause and Morgan, a manager in that previous loan, was able to "hook" the new contract to the wording in the old contract.

That formula obviously is only good for borrowers whose earlier loans carried the cross-default clause. Still unresolved is how French agencies that have not previously agreed to such wording can tap the syndicated-loan market.

The other banks in the Crédit National backup are Bankers Trust, Chemical, NatWest, Paribas, Crédit Lyonnais, Fuji, Mitsubishi and Nippon Credit Bank.

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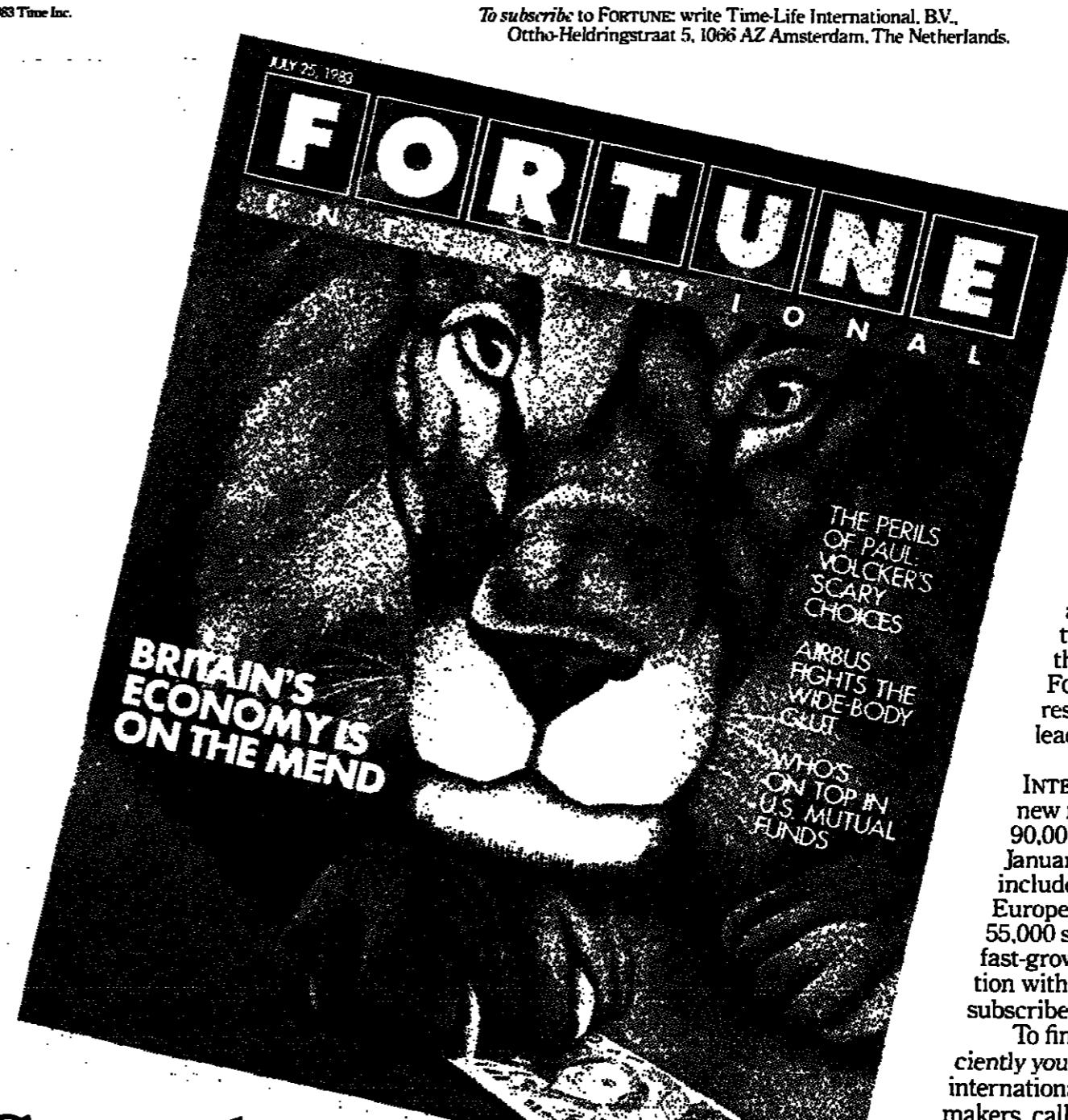
AMSTERDAM	47.38.95	HAMBURG	55.35.16	MUNICH	15.32.16
BAHRAM	32.25.31	HELSINKI	64.02.50	NEW YORK	196.09.44
BARCELONA	30.25.31	HONG KONG	74.28.78	OSLO	41.61.15
BERLIN (WEST)	26.20.13	LESBO	58.30.23	PARIS	(60) 70.09.00
BRUSSELS	16.22.21	LONDON	62.37.51	SINGAPORE	35.08.00
COPENHAGEN	45.30.00.03	LUGANO	56.06.29	STOCKHOLM	31.77.77
DUBLIN	17.21.15	LUXEMBOURG	46.15.59	STUTTGART	27.03.13
FRANKFURT	25.21.00	MADRID	40.61.31	VIENNA	54.11.96
GENEVA	79.17.77	MILAN	345.22.69	ZURICH	102.08.12

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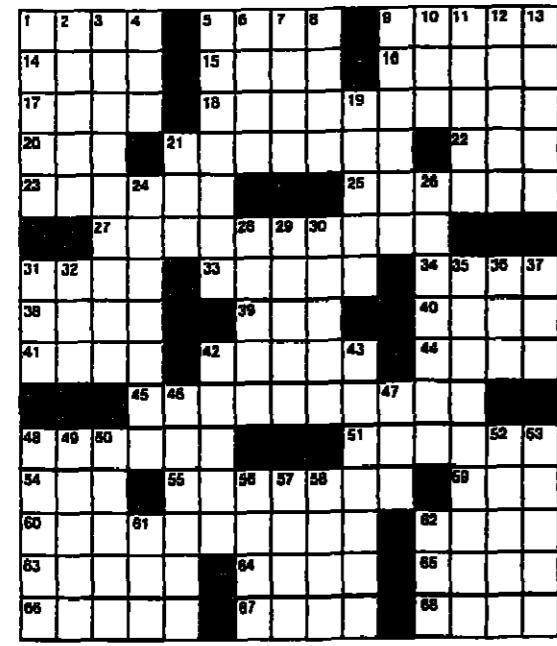
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- 1 Punctches or pokes
- 5 Follower of double or blind
- 9 "Love Story" author
- 14 Hautboy
- 15 Common Latin abbr.
- 16 Type size
- 17 German philosopher: 1724-1804
- 18 Copenhagen's rider
- 20 Tessa chaser
- 21 N. Atlantic island
- 22 Kind of table
- 23 Annu
- 25 Small slips
- 27 Black Beauty's creator
- 31 Comb wool
- 32 Bikini, e.g.
- 34 Trimming tool
- 38 Liturgy
- 39 They: Fr.
- 40 Capital of Calvados
- 41 Inkling
- 42 Bakers' needs
- 44 Swiss painter
- 45 Traveller's rider
- 48 Menhun's teacher
- 51 Primitive symbols
- 54 Conjunction
- 55 Pellucidness
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LANGUAGE

A Dash of Grenadine

By William Safire
WASHINGTON — "On the NBC Nightly News," worried a recent caller, "John Chancellor talked about our invasion of Grenada and then about our invasion of Gren-A-da. Which is it?" He then hummed the song "Granada," which is spelled with three 'a's and pronounced with an 'AH.'

At the start, I went along with the Chancellor Straddle, alternating my pronunciation. This is the way that most of us deal with words we have to use and hate to have to look up. Faced with the query, however, and recognizing my responsibility as a news-hin language maven, I hit the etymological A-H.

It all started with the Latin *grana*, "seed," from which grew the English *grain*. Then there was a city in Spain named after that grain, Granada, and we all know the song: "The dawn in the sky greets the day with a sigh / For Granada . . ." For Spanish Granada, say A-H.

Meanwhile, the French latched onto the Latin *granum* to describe a seedly fruit: the pomegranate. This spelling with an 'e' — *graine* — led to *grenade*, a small bomb thrown by hand, which was about the size of a pomegranate and sprayed its seeds of destruction: Infantrymen who carried them were called *grenadiers*. Getting back to the fruit, we know that a syrup made from the juice of the pomegranate was called *grenadine* and is used today to add color to Shirley Temples; if they still use that name for jazzed-up soft drinks.

Over to the island in the Caribbean (pronounced *Carib-be-an*, after the Carib Indians, but *Carib-be-en* isn't wrong): It was originally a French island, with the French spelling — *Grenada* with an 'e', like *grenade* and *grenadine*. When the English took it over in the late 18th century, they kept the spelling and the pronunciation.

Therefore, here's the drill: If you're talking about the city in Spain or you're serenading a senorita on a balcony, it's *Gren-A-da*. If you're denouncing a bunch of "leftist thugs," you are talking about *Gren-A-da* with a long 'a';

New York Times Service

Grenadians rhyme with Canadians. There never was a connection between the Old French *grenate* and the Latin-English form: *grenade* until the current unpleasantness: Now we have seen grenades thrown on Grenada.

THE greatest contribution to grammar made by today's sportscasters is the development of the *historical present* by Damon Runyon, a writer who was once a sportswriter, as in "When I hear Bugs Longigan say this, I wish I am never born." Listening to the score of "Guys and Dolls," based on Runyon's stories, one is hard-pressed to hear a single past tense. (The uniform of nose tackles are deliberately hard-pressed.)

"Sports broadcasters are the only reporters I know of," writes Bennett Anderson of Washington, "who describe past events in the future tense." He notes the following examples:

"That will (*future tense*) bring up a third-down situation" is used to describe a play that has already taken place and has created the third down.

"He swings and he misses — that'll (*future tense*) be strike two" reports a strike that has already been taken. Similarly, "The kick is good; that'll (*future tense*) make it 21-10" refers to points that have already been scored.

"A friend who considers himself an authority in these matters," writes Anderson, "says the use of the historical future is proper because the event does not fall into the past until legitimized by the umpires, referees and official scorers. I concede grudgingly that there may be some validity to this theory, but it doesn't hold water when you see a mighty whiff at the plate and hear, 'That will be strike two.'

If this accepted usage in sports spills over into the general language, we will hear how "something has happened next week" which as grammar fan Anderson notes, "will bring up a deviation of novelistic reality."

Leonard's fans are fashion that he has the ability to fashion novels with narrative drive. He learned his craft by writing original paperback westerns for reading examples:

"I do like to read that I write clean prose and that my stuff is considered economical. Maybe I'm economical because I don't have that much to say." He paused. "I'd love to have a brilliant idea for my next book."

What makes Leonard's stories sound like the real thing comes from run-of-the-mill action stories? Critics and readers find that his writing is hard-edged and unsentimental: that while his characters are not heroic, their lives add up to social commentary; that their conversations sound absolutely authentic, and that his true-to-life characters and locales provide a look at ordinariness raised to the level of novelistic reality.

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What makes Leonard's stories sound like the real thing comes from run-of-the-mill action stories? Critics and readers find that his writing is hard-edged and unsentimental: that while his characters are not heroic, their lives add up to social commentary; that their conversations sound absolutely authentic, and that his true-to-life characters and locales provide a look at ordinariness raised to the level of novelistic reality.

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